

# Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Our ref: Responses

12 March 2008

Dear Peter

## **Consultation Paper CP 07/22\*\* Regulating Connected Travel Insurance**

This is the Financial Services Consumer Panel's response to CP 07/22\*\* Regulating Connected Travel Insurance. The Panel welcomes these proposals as this is an area where we have long since advocated the need for regulation, not least because many consumers already believe that this area is already regulated. We have chosen not to respond to all of the questions as many are directed at firms and, with some of the others, we have previously raised our position when commenting on the introduction of the ICOBS sourcebook. Instead, we have concentrated our response on those areas in the proposals where we believe there is potential for consumer detriment.

In terms of the treatment of these products relative to other general insurances we acknowledge their positioning in the 'other' category of the ICOBS sourcebook. Although we consider CTI to be relatively more complex than other general insurances, it is not as complicated as Private Medical Insurance, already placed in that category, so any other decision would be ill advised.

One of the areas where we do have concern is the guidance on eligibility. The relevant guidance in ICOBS says that a firm should take reasonable steps to ensure that customers only buy policies under which they are eligible to claim. This means that for non-advised sales a firm would only have to make consumers aware of the exclusions so they can take them into account when buying the policy. One of the major consumer complaints about CTI stems from an insufficient explanation of the policy exclusions prior to purchase of the policy. This often results in consumers, commonly those with prior medical conditions, having their claims turned down. Nor are medical exclusions the only ones where there is an issue. One area, which has attracted recent press coverage, is the practice of firms using an exclusion on alcohol consumption to turn down a claim should the claimant have drunk even a

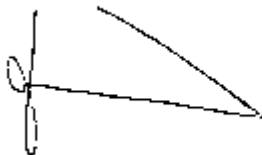
small amount of alcohol. We believe that it is important the consumer is fully aware about the implications of all the potential exclusions before purchasing the policy.

Of the proposed options on Professional Indemnity Insurance (PII) the Panel supports Option 1: for a single claim €1 million; and in total, €1.5 million or, if higher, 10% of annual income. This is in line with the PII limits applied to firms carrying on standalone travel insurance and mitigates a situation where CTI firms would have to stop trading because their PII cover is inadequate to meet the costs of customer complaints. Any potential withdrawal of certain firms from the market could be to the detriment of consumers.

We have some concerns about the content, in Annex 2 to the main CP, under Question (2) *Am I carrying on a regulated activity by way of business?* and, in particular, the potential treatment under the proposed regime of charities or schools organising trips that include travel insurance. We do not believe the position of such organisations to be quite as clear cut as the Consultation Paper contends and indeed we believe that, dependant on the specific circumstances, in some instances such organisations may well find themselves needing to be regulated. Our concern is that this detail has not been given the required level of prominence by the FSA and consequently such organisations are likely to be inadequately informed of the FSA's policy in this regard. The FSA needs to make efforts to sound out these organisations to be assured that they are sufficiently aware of what the requirements are.

I hope that you find these comments helpful.

Yours sincerely

A handwritten signature in black ink, consisting of a vertical line on the left, a horizontal line extending to the right, and a diagonal line crossing the horizontal one from the top right towards the middle of the horizontal line.

John Howard  
Chairman  
Financial Services Consumer Panel