

Press release

LCQ12: Regulation of travel insurance

Wednesday, April 17, 2013

Following is a question by the Hon Kwok Wai-keung and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (April 17):

Question:

It has been reported that among the Hong Kong tour group participants who died in the hot air balloon explosion incident in February this year in Luxor, Egypt, six of them had, before the journey, taken out travel insurance policies which did not cover "aerial activities". The insurance company concerned indicated that hot air balloon rides were regarded as aerial activities and hence no compensation would be made. In this connection, will the Government inform this Council:

(a) whether it knows in respect of the travel insurance taken out in each of the past three years, the total gross premiums, the number of persons insured, the number of claims and a breakdown of it by reason (e.g. loss of properties, physical injuries and deaths by accident, etc.), and the total amount of compensation paid by insurance companies;

(b) of the number of complaints about travel insurance and a breakdown of it by type in each of the past three years; among them, of the number of complaints in which compensation had been paid in the end and the total amount of compensation involved, as well as the number of those in which compensation had not been paid in the end and the reasons for that;

(c) whether it has assessed the present situation of travel insurance being sold by means of "sub-contracting" (i.e. the sale of travel insurance products of insurance companies is sub-contracted by qualified travel insurance agents to other insurance agents), and how the authorities ensure that the sub-contracted travel insurance agents have received adequate professional training;

(d) as accidents involving Hong Kong people travelling abroad have occurred from time to time in recent years, whether the authorities have conducted studies on enhancing the protection of travel insurance for members of the public travelling abroad; if they have, of the details; if not, whether they will consider conducting such a study; and

(e) given that the authorities have indicated in the Budget published recently that they

will commence within this year the legislative work for establishing an independent Insurance Authority, of the authorities' plan to step up regulation of the sale of travel insurance through the Authority?

Reply:

President,

(a) According to the estimates made by the Office of the Commissioner of Insurance (OCI) based on data obtained from insurance companies, about 2 million, 2.1 million and 2.2 million travel insurance policies were issued in 2010, 2011 and 2012 respectively, with gross premiums of about \$700 million, \$800 million and \$850 million. In 2010 and 2011, there were about 90 000 claims each year and there were about 100 000 claims in 2012. The gross payment to claims in 2010 and 2011 amounted to about \$250 million each year and about \$300 million in 2012.

The Administration does not keep any statistics itemised by reason of claims.

(b) For the number and breakdown of complaints, please refer to Appendix 1. For statistics on the outcome of claims, please refer to Appendix 2.

(c) Policyholders can take out travel insurance from insurance companies directly or through their appointed insurance agents or subagents. Whether insurance agents appoint other insurance agents as their subagents is purely a commercial matter.

A person must pass the relevant examination, be appointed by an insurance company, and be registered with the Insurance Agents Registration Board (IARB) as an insurance agent (including those who may be appointed as a subagent) before he is allowed to sell travel insurance. All insurance agents (including those who are engaged in the sale of travel insurance) are required to attend a specified number of hours of training under the Continuing Professional Development Programme, and must comply with the Code of Practice for the Administration of Insurance Agents (the Code) issued by IARB. Section 76(f) of the Code stipulates that an insurance agent has to "explain the cover afforded by each policy recommended to ensure that the potential policyholder understands what he is buying". Therefore, an insurance agent is required to explain to a client the coverage and exclusions of a travel insurance policy so as to facilitate him to take out a travel insurance policy that meets his needs. Furthermore, under the Insurance Companies Ordinance, all insurance companies are liable for the actions of their appointed agents (including subagents) relating to the sale of insurance.

(d) Given that individual travellers may have different considerations (e.g. whether they will take part in certain activities of a tour or whether they have arranged other insurance policies on their own), potential policyholders should take out appropriate travel insurance policies according to their own needs. It is inappropriate for the Administration to regulate the coverage of individual travel insurance products, and we have not conducted any research in that regard. Nevertheless, we consider it important to continue strengthening public education so as to encourage the public to take out travel insurance that suits their needs and travel itineraries. On promotion and education, the Government, the Travel Industry Council of Hong Kong (TIC) and the Travel Industry Compensation Fund Management Board have been encouraging the public to take out travel insurance that suits their personal needs before travelling abroad through Announcements of Public Interest in television and radio, broadcasting of promotional videos at public buses and promotional messages on the display panels in the compartments of the Mass Transit Railway and publicity pamphlets. The OCI has also published an educational pamphlet entitled "Travel Insurance – What you need to know" to help the public protect their own interests. The pamphlet reminds the public of the important points-to-note when taking out travel insurance, including the coverage and exclusions, for protecting their own interests. Furthermore, the Consumer Council has also been reminding and educating consumers through the Choice magazine on areas which they should pay attention to when taking out travel insurance.

The TIC has all along recommended travel agencies to remind participants of outbound tours to take out comprehensive travel insurance for appropriate protection against untoward situations during a journey. The Outbound Committee of the TIC has also reminded members of the following recently: (i) travel agents are advised to examine the risks of all the activities (including self-paid activities) listed in the itinerary leaflets of their outbound tours, and to clearly inform consumers of such risks, especially for high-risk activities, before they sign up for a tour; (ii) travel agents are advised to examine whether the scope of protection of the travel insurance arranged for tour participants has covered all the activities in the tour, including self-paid activities; and (iii) if tour participants take out travel insurance on their own, travel agents should remind them to examine whether the scope of protection of their insurance policies has covered all the activities in the tour.

(e) One of the Administration's key proposals for the establishment of an independent Insurance Authority (IIA) is to put in place a statutory licensing regime for insurance intermediaries, replacing the existing self-regulatory regime managed by the three self-regulatory organisations and enhancing the regulation of insurance intermediaries

(including insurance agents who engage in the sale of travel insurance).

The IIA will formulate codes to require, among other things, any insurance agent who is engaged in the sale of travel insurance to pass the relevant qualifying examination and fulfill the requirements of the Continuing Professional Development Programme, as well as to clearly explain to a client the coverage of each recommended insurance policy to ensure that the client understands the content of the policy.

Upon the establishment of the IIA, all licensed insurance intermediaries (including insurance agents who are engaged in the sale of travel insurance) will be required to comply with statutory conduct requirements. The IIA can impose disciplinary sanctions on a licensed insurance intermediary if he is found to be guilty of misconduct.

The IIA will also continue to remind and educate existing and potential policyholders through different channels on matters requiring their attention when taking out travel insurance.

Ends