

GUEST EDITORIAL

The insurance industry comes in for two blasts of fierce criticism in this issue, so as a lifelong insurance man I feel constrained to offer a defence.

Clearly insurance is not perfect, but then nor is any industry. In travel, airlines often behave in some pretty unfriendly ways over the way they make additional charges (or even hold passengers to ransom for extra money on the spot to complete the flight!), and even ABTA members have been known to fall foul of the lack of clarity in the Package Travel Regulations, once to the extent of a President having to resign.

As so often the devil is in the detail. Noel Josephides complains that some of the policies on sale purporting to fulfil the requirements of Reg. 19 of the Package Travel Regulations do not actually do so. While sympathising with his concern over what is indisputably a very unfortunate situation, I could make a case that they do, and that it is the Regulations which are deficient. Noel is effectively asking insurers to pay up when the law says they do not need to, in the interests of the general good. A laudable hope, but not one that can be enforced on all insurers, particularly in generally straitened times. These policies will usually be cheaper than bonding – perhaps we are now seeing why.

So, what precisely is the problem? The insurer would say that they issued a policy which complied with the Regulations, was apparently acceptable to ABTA and AITO, and that its subsequent actions are wholly within the law. I accept that the end result is regrettable, but I think we are in danger of losing sight of the basics – the problem was caused by one ski operator, whose business methods have been demonstrated to be, to put it very mildly, unsatisfactory. Admittedly Noel starts with a blow at the law also, but I would argue that to place so much of the blame on the insurance industry for not providing an adequate solution to a tour operator created problem is less than wholly fair.

Two points come to mind – why did one or more of the affected schools not sue the ski operator concerned, which would presumably have forced him into liquidation/bankruptcy, thus possibly triggering the policy at a point when the insurer was still saying they would pay? And if the insurance has been voided, presumably back to inception, for non-disclosure, I assume a return of all the premium paid has been made – where has that gone? Could the affected schools not have gained some hold over it – after all, it was the premium paid for the insurance which was supposed to protect them.

Roger Bray's problem is with travel insurance. It is an uncomfortable fact that, although a widely purchased, low cost commodity, travel insurance policies are among the most complex policies around. Again price is a driving factor. Insurers try to reduce premiums to satisfy the price-conscious customer, and restrict the cover to achieve this. Heli-skiing may sometimes be no more inherently dangerous than other off-piste skiing, but it can also take people to very remote places which may well be more dangerous, and where rescue be more difficult/expensive, and I believe there are places where the helicopter cannot land, and people therefore jump out – certainly dangerous!

Age limits are a moveable feast – there are many insurers who will give cover to quite elderly consumers, and more are doing so, reflecting the ageing population trends Roger mentions. However

statistics here do clearly show an age-related correlation with higher claims. Rather than a higher claims incidence, this is more related to the fact that at older ages what medical claims there are tend to be higher; the injury or illness tends to have a greater effect, and the treatment required reflects this. From April 2012, the Equality Act will ban 'unjustifiable' age discrimination in the provision of services, including insurance, but differential pricing will be allowed provided it is based on relevant information from a source on which it is reasonable to rely. So, rest assured Roger, travel insurers will shortly have to prove their case – as will tour operators imposing their own age limits.

So, could we do better? Yes of course, but perfection is an elusive ideal, which can be expensive, and is very difficult to achieve, certainly without similar perfection, or at least total clarity, in the law.

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