

Money and Mental Health Response to FCA consultation CP19/23 on signposting to travel insurance for consumers with medical conditions

Introduction

The Money and Mental Health Policy Institute is working for a world in which the vicious cycle of money and mental health problems is broken, so that we all have an equal chance of financial security, regardless of our mental health; and everyone's mental health can flourish, regardless of their financial circumstances. We aim to be a world-class centre of expertise on the links between money and mental health problems, developing practical policy and solutions, working in partnership with those providing services, those who shape them, and those using them, to find out what really works.

We are delighted to have the opportunity to respond to the FCA's consultation on signposting to travel insurance for consumers with medical conditions, which has been a focus of our work over the past two years. This response addresses questions 1, 3, 5, 6 and 7.

Background

- In any given year, one in four people will experience a mental health problem.¹ Over a lifetime this rises to nearly half the population.² It's essential that insurance markets can provide good outcomes for such a large proportion of the population.
- Mental health problems cause cognitive and psychological symptoms that can make navigating markets for essential services significantly harder. For example, reduced planning and problem solving skills can make identifying the right products more difficult, lower concentration can make the time-consuming process of product comparison harder, and low energy and motivation can reduce the likelihood that people experiencing mental health problems actively engage with insurance markets.
- Money and Mental Health research has identified three main ways in which the travel insurance market isn't working for people with mental health problems:
- **High prices** - 43% of people who have experienced mental health problems and tried to buy travel insurance in the last five years think that the price is unfair or very unfair, and more than one in ten (13%) have travelled without insurance because it was too expensive. Even people with historic or well-managed mental health problems can be quoted significantly higher prices.³
- **Policy exclusions** - People with mental health problems are often only offered cover with blanket exclusion terms. One in five (21%) people who have experienced mental

¹ McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

² Mental Health Foundation. Fundamental facts about mental health. 2016.

³ Holkar M. Travel insurance and mental health: a turbulent journey. Money and Mental Health Policy Institute. 2018.



health problems have travelled with insurance that didn't cover their health condition, and many also report difficulties understanding complex exclusion terms.⁴

- **Poor response to disclosure of mental health problems** - Disclosing a mental health problem can be particularly difficult, and sadly many insurers do not always offer adequate empathy and support when customers make a disclosure. As a consequence of this, and the pricing and exclusion issues described above, almost half of people with mental health problems (45%) never disclose to their insurer, more than seven times the rate amongst people with physical health problems (6%).⁵

Key messages

We welcome the FCA's proposed signposting remedy, and the additional commitments to work with MAPS to improve consumer understanding of travel insurance policies and to improve the wording used in the medical screening process. These measures could make a significant difference to outcomes for people with mental health problems in this vital market. We encourage the FCA to work with people with lived experience of mental health problems in developing all three measures, to ensure that they work as well as possible for their target audience.

However, we remain concerned that these proposals do not address issues around the proportionality of travel insurance prices charged to people with pre-existing medical conditions and whether firms are complying with the Equality Act 2010, as highlighted by Money and Mental Health, the Treasury Select Committee and many others. While these proposals are a good start, we encourage the FCA to engage in further work assessing the fairness of pricing practice across the travel insurance market for customers with pre-existing medical conditions, both to ensure fair outcomes for these customers, many of whom are financially vulnerable, and also to improve confidence in the insurance market. We believe the FCA's remit to assess this is increased with the introduction of proposed new rule ICOBS 6A.4.8.G, which states that firms must assess risk associated with medical conditions and calculate medical condition premiums by reference to reliable information that is relevant to the assessment of the risk, and hope the FCA will use this proposed change to engage in further work in the travel insurance market to ensure pricing is fair.

Question 1: Do you agree with our signposting proposals?

Yes, we welcome the FCA's signposting proposals. To ensure that these signposting proposals are as effective as possible, we encourage the FCA to pay particular attention to signposting design and to key consumer outcomes.

⁴ Ibid.

⁵ Ibid.

Signposting design - the design of signposting is likely to be a key determinant of consumer outcomes. Crucial issues include where in the customer journey signposting occurs, and the form it takes.

We were pleased that the FCA has considered aspects of signposting design in FS18/1,⁶ and we encourage the FCA to conduct specific research with consumers with pre-existing medical conditions, to develop an understanding of how to signpost these consumers most effectively. Research should consider end-to-end customer journeys, across all applicable channels (online, telephone etc.) and testing should include participants with mental health problems, and other conditions that can affect the way that people engage with products and services.

Consumer outcomes - It is essential that the FCA keeps a keen focus on outcomes for consumers who are presented with signposting. As part of this evaluation, the FCA must assess the extent of cover that customers ultimately receive and the price that they pay for it.

Before the signposting proposal is introduced, the FCA should also evaluate consumer outcomes in the specialist travel insurance market, ensuring that there is a reasonable expectation that signposting will improve outcomes. CP19/23 notes that there is evidence that prices in the specialist market are lower than the mainstream market, and that the FCA has not received evidence that there is a lack of competition in this section of the market,⁷ but this does not suggest a detailed understanding of practice or outcomes in the specialist market. The signposting proposal rests on the premise that customers with pre-existing medical conditions are better served by specialist travel insurers, so the FCA should evaluate this premise before introducing signposting. This is of particular importance as many people who will be affected by the intervention are likely to be vulnerable consumers.

It is also worth noting that over half of people will experience a mental health problem at some point in their life, with many more also experiencing other pre-existing medical conditions. As medical underwriting often asks whether a potential customer has 'ever' experienced a condition, it is possible that over half of the population may be better served by the 'specialist' market. This presents a challenge to the regulator, as more effective screening and signposting may result in the 'specialist' market seeing customer volumes that become comparable with the 'mainstream' market over time.

Question 3: Do you agree with our proposal for the trigger points for disclosure for consumers with PEMCs?

Yes, we agree with the FCA's proposal for the trigger points for disclosure for consumers with pre-existing medical conditions.

⁶ FCA. Call for Input on Access to Insurance. Feedback Statement FS18/1. 2018.

⁷ FCA. Signposting to travel insurance for consumers with medical conditions. Consultation Paper CP19/23. 2019.

Money and Mental Health research has found that many people with mental health problems are particularly dissatisfied when unable to get cover, only offered cover with blanket exclusion terms that limit the value of the insurance product, or when prices quoted are deemed to be disproportionately high.⁸ People look to insurance for peace of mind, but these outcomes can undermine any benefits and cause distress. We are pleased that the FCA's proposed trigger points target all three of these areas of current detriment.

We support the FCA's proposed trigger for customers who are offered cover with additional premiums. This option has the twin benefits of being simple for providers to implement, and minimising false-negatives, cases where a consumer would benefit from signposting but does not receive it.

We understand why the FCA has also proposed that firms indicate which consumers are more likely to benefit from following signposting; it is not preferable for consumers with pre-existing medical conditions who are better served in the mainstream market to follow signposting to the specialist market and purchase cover there instead. However, we urge the FCA to guard against the risk that consumers who are better served in the specialist market are unintentionally deterred from following signposting. To do so, the FCA must first understand which consumers with pre-existing medical conditions are better served in the specialist market, and should then test how the proposed signposting wording affects these consumers' behaviour. To do this properly, we believe the FCA should carry out further research into outcomes in the specialist market, as indicated in our response to Question 1.

Question 5: Do you agree with our proposed guidance on exclusions?

We are pleased to see the FCA issuing additional guidance to insurers around exclusions.

Our research has demonstrated that many people living with mental health problems are unable to obtain insurance without exclusions. One in five people who have experienced mental health problems (21%) have travelled with insurance that didn't cover that health condition. Descriptions of exclusions are often complex and difficult to understand, particularly for people finding it more difficult than usual to process and compare information due to a mental health problem. These exclusions can undermine the benefits of travel and become a significant source of stress.

"Just leaves you feeling a bit anxious since mental health issues turn up at un-scheduled times. It's not like avoiding bungee jumping when that's excluded - how do you avoid your mental health?" - Expert by experience.

⁸ Holkar M. Travel insurance and mental health: a turbulent journey. Money and Mental Health Policy Institute. 2018.

The additional guidance should help to resolve some of these concerns by alerting customers when it is possible to remove exclusions and increase cover. We hope this will encourage firms to make information about policy exclusions easier to find in policy documents where these are currently buried in the text, to ensure full compliance with ICOBS 6.1.5R. We also hope that this guidance will encourage firms to consider whether policies with exclusions proposed really meet the demands and needs of customers, as required by ICOBS 5.2.2BR, as our engagement with people with mental health problems finds that these products are often not in line with customer needs and demands.⁹

It may be that this guidance alone is not sufficient to tackle the problem of policies being sold with substantial exclusions which severely limits their value to the customer. This is not a good market outcome, as recognised in ICOBS 5.2.2.BR. We ask the FCA to take steps to monitor the effectiveness of this additional guidance, including the number of customers still purchasing policies with substantial exclusions, and take further action if necessary.

Question 6: Do you agree with our proposed guidance on high premiums?

Yes, we are pleased to see the FCA proposing this additional guidance around high premiums.

In our market research around travel insurance policies for people with mental health problems we have found evidence of very high price loading and substantial price dispersal which suggests some providers are not truly attempting to serve customers.¹⁰ This practice can cause distress, and if it leads to a perception that insurance is unaffordable, may contribute to the significant minority of people with mental health problems (13%) who have travelled without insurance in the last five years because it was too expensive.¹¹ We hope that firms offering these very high quotes, out of line with additional loading elsewhere in the market, will refrain from doing so in future following this guidance.

We remain concerned, however, that the guidance will not be sufficient to prevent very high premiums being offered where these are due to poor understanding of the risks involved in certain conditions, especially more severe mental illnesses. We urge the FCA to consider offering further guidance or undertaking further work to assess how firms are complying with the proposed rule ICOBS 6A.4.8.G, which states that firms must assess risk associated with medical conditions and calculate medical condition premiums by reference to reliable information that is relevant to the assessment of the risk, to ensure this underlying issue is properly addressed.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.



Question 7: Do you agree with our proposals for the directory?

Yes, we agree with the FCA's proposals for the directory. We consider that this would contain the information that customers experiencing mental health problems may need to find a product which better meets their needs. We would encourage the FCA to user test the directory specifically with people experiencing mental health problems, who may find it harder to navigate and compare pieces of information, to ensure that it is fit for purpose. We would also urge the FCA and MAPS to consider, in the preparation of both the online and hardcopy materials, what tools could be offered to help people find the options that are most relevant for them (e.g. advanced search functionality with the ability to search only for policies without exclusions, or index pages for hard copies). We would be happy to assist the FCA and MAPS with this if this is of interest.