

LCQ10: Sale of travel insurance

Following is a question by Dr Hon Elizabeth Quat and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 27):

Question:

Nine Hong Kong people from an outbound group tour died in an accident of hot air balloon explosion on the 26th of last month in Luxor, Egypt. It has been reported that the travel insurance plans taken out not through the travel agent by six of the victims before the journey do not cover "aerial activities", and the insurance company concerned has indicated that no compensation will be made as hot air balloon rides are regarded as aerial activities. Families of the deceased suspect that in the process of selling the travel insurance plans, no one had explained to the insured in detail the items not covered by the insurance plans. This incident has aroused the concern of some members of the public about the sale of travel insurance. In this connection, will the Government inform this Council:

(a) whether it has compiled statistics on the respective percentages of the current sales of travel insurance plans through travel agents, banks, insurance companies and other channels; if so, of the details; if not, the reasons for that;

(b) whether it will propose to the Hong Kong Federation of Insurers and the Travel Industry Council of Hong Kong to issue guidelines to travel agents, requesting that when they sell travel insurance to group tour participants, they must provide insurance plans covering all activities on the itinerary (including self-pay activities) for participants to choose, but the sale of such travel insurance plans must not be bundled with the group tours; if it will not, of the reasons for that;

(c) whether the authorities will step up regulation of the sale of travel insurance so as to ensure that travel insurance agents will explain to the insured in detail the items not covered by the plans that the insured are planning to take out; if they will, of the details; if not, the reasons for that;

(d) whether the authorities will consider drawing up guidelines requesting travel agents to remind group tour participants before the journey to consider taking out travel insurance and, if the itinerary includes high-risk activities, to further provide as a must

insurance plans covering such high risk activities for the participants to choose to buy; if so, of the details; if not, the reasons for that; and

(e) of the authorities' measures to strengthen consumer education to enable consumers to know the matters that they should pay attention to when taking out travel insurance to safeguard their own interests?

Reply:

President,

(a) Statistics of the sale of travel insurance as a percentage of the total gross premiums of travel insurance are currently compiled according to the following categories -

(i) insurance agents and brokers	64%
(ii) travel agencies	28%
(iii) direct sales (e.g. via the internet)	8%

(i) and (iii) above include travel insurance sold through banks (e.g. via technical representatives, the internet or automatic teller machines). We do not have the breakdown of travel insurance sold through banks as a percentage of the total gross premiums of travel insurance.

(b) and (d) Insurance is a business where its pricing is based on risks. An insurance policy is a contract between an insurance company and a policyholder. Both parties are bound by the terms and conditions of the contract, including those on coverage and premiums. Policyholders can choose appropriate travel insurance policies according to their own needs. 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), the Administration will not regulate the coverage of individual travel insurance products.

The Travel Industry Council of Hong Kong (TIC) has all along recommended their members to remind participants of outbound tours to take out comprehensive travel insurance for appropriate protection against untoward situations during the journey. For instance, the TIC issued in August 2012 a circular to travel agents on the aforesaid message and remind them particularly that if participants of an outbound tour are required to take out any comprehensive travel insurance, travel agents should clearly

inform them of such a requirement before they sign up for the tour, and should specify the requirement in the itinerary so that they can decide whether to join the tour. For those consumers who have already taken out comprehensive travel insurance on their own, travel agents are advised not to request them to take out travel insurance policies again.

As regards travel insurance for high-risk activities, the Outbound Committee of the TIC discussed the day following the balloon explosion accident in Luxor, Egypt, and reminded members particularly of the following: (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.

(c) Currently, a person must pass the relevant examination, be appointed by an insurance company, and be registered with the Insurance Agents Registration Board (IARB) as a travel insurance agent before he is allowed to sell travel insurance. A travel insurance agent 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 a travel insurance agent have to "explain the cover afforded by each policy recommended to ensure that the potential policyholder understands what he is buying". As such, a travel insurance agent is required to explain to a customer 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.

The Office of the Commissioner of Insurance (OCI) has requested the TIC and relevant insurance companies to remind travel agencies and their travel insurance agents to comply with the above-mentioned Code.

(e) The Administration, the TIC and the Travel Industry Compensation Fund Management Board will continue to encourage 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 published an educational pamphlet entitled "Travel Insurance - What you need to know" to help consumers 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.

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