

## **EMBARGO – Thursday 16<sup>th</sup> June**

From the Consumers' Federation of Australia

### **Travel Insurance Industry wins “Dodgy”, Baycorp gets “Asher”**

The travel insurance industry was last night named the winner of the “Dodgy” award at a dinner attended by over 100 consumer advocates from around Australia.

The Dodgy is awarded by the Consumers Federation of Australia (CFA) to the organisation or individual that has done the **least** to help consumers in the previous 12 months.

Carolyn Bond, Chair of the CFA said that the travel insurance industry was an easy choice for the award. Consumers are sold travel insurance products on the basis that they have reasonable protection from financial loss - but often if they come to claim, many people find that the policy wording makes the policies worthless. In fact, policy wording is often so strict, it's hard to imagine that anyone could successfully claim for lost or stolen luggage. For example, one insurer wouldn't pay for loss of luggage while a woman went to the toilet in a train in India – despite her chaining the bag to the bunk bed in her reserved compartment.

Even claims involving illness cause problems, as even an indirect link with any previous illness will often void the claim.

Attached are examples of real cases where consumers have been unable to make claims because of the restrictive policy wording.

“The industry should be honest and not sell policies that have no value”, said Ms. Bond.

The Asher Award, named in honour of Allan Asher, the former Deputy Chair of the Australian Competition and Consumer Commission, went to Baycorp Advantage.

Baycorp is a credit reporting database that holds the credit reports of over 13 million Australians. Baycorp has recently announced significant steps to improve its response to consumer issues, and make its procedures more transparent. Improvements in its complaints handling procedures will include joining an industry alternative dispute resolution scheme, which will enable consumers to have any disputes dealt with by an independent body.

Ms Bond said that “problems with a credit report can have a serious impact on consumers. Once implemented, these changes should give consumers more confidence that if there's a problem, it will be fixed”.

A full list of all the nominees for the Dodgys and Ashers is attached. This is the second time that the Dodgys and Ashers have been awarded.

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*All of these matters have been before the Insurance Ombudsman Scheme that has confirmed that the insurers have been correct to deny the claim (based on the terms of the policies). The wording of these policies is such that it is difficult to see how any consumer could make a claim for loss or theft of luggage.*

#### **CASE STUDY 1**

*The consumer's suitcase was stolen from under a bunk bed on a New Delhi train during the course of a journey. The items were valued at about \$15,000. The suitcase had been chained to the bunk bed. The bag went missing while she went to the toilet – she had been forced to wait in a queue for the toilet for about 45 minutes. When she returned, she found the chain had been cut.*

*She said her compartment was reserved, was not a public place and an attendant slept there all night. The insurance company denied liability on the basis that the applicant had left the luggage unattended in a public place and had failed to take reasonable care to secure the property.*

#### **CASE STUDY 2**

*The consumer's belongings were stolen from a parked vehicle, after dark. Because the vehicle was a station wagon it was not possible to lock all the belongings in the boot compartment as required by the policy – however the boot was full of luggage and the items that were stolen had been left in the passenger compartment hidden from view.*

*The insurance company denied liability on the basis that the belongings were stolen from a passenger compartment of a vehicle, and policy excluded theft of belongings that were not locked in a boot compartment (even if they were otherwise kept out of view). The policy also excluded luggage left unattended in a vehicle after dark.*

#### **CASE STUDY 3**

*The consumer's luggage was with him on a bus, but he fell asleep. When he awoke, one of his bags was missing. The travel insurance only covered luggage whilst in the custody of the carrier and the insurer denied liability.*

#### **CASE STUDY 4**

*The consumer's belongings were taken from an airport trolley between the baggage claim and the carpark. The consumer claimed he had taken reasonable precautions, by hanging his laptop under the trolley's handlebars. The insurer denied liability on the basis that the consumer didn't take adequate care.*

## **CASE STUDY 5**

*The consumer obtained travel insurance as a benefit under her credit card agreement with her bank. Despite her request, she never received a full copy of the policy. She wished to extend her trip overseas when her father died (overseas). Her claim was refused as the policy only applied to the death of a relative who was an Australian resident. Usually, the failure to provide her with the policy (which would have explained the limitation) may have given her rights to enforce her claim. However, the fact that her bank – rather than the consumer – was named as the “insured”, she was unable to claim the protection of the Insurance Contracts Act provisions.*

## **Dodgy Nominations**

1. TICA (the tenancy database company). We were optimistic that things would improve following a Determination by the Federal Privacy Commissioner showing that the company had breached the Privacy Act 13 times, but TICA's response to that Determination has been half-hearted at best.
2. The travel insurance industry – for helping Australian consumers traveling abroad to feel secure in the knowledge that they have protection from lost luggage and illness – it's only if they need to claim that they will find the cover to be illusory.
3. The publishers of “how to be mortgage free in 4 easy steps”, and other finance brokers who use the promise of cutting years off your mortgage to convince consumers to refinance. (when, in fact, any savings simply result from making bigger payments).
4. GMAC Finance, for bad practices in relation to car repossessions – and of course, they are not a member of any industry dispute resolution scheme.

## **Asher Nominations**

1. The ACT Government and the NSW Greens – for promoting laws that require lenders to ascertain a consumer's capacity to repay prior to granting credit.
2. ANZ Bank – for its research work on community development finance and financial exclusion. The Bank is making a real effort to help low income and vulnerable consumers.
3. Baycorp Advantage – for its engagement with consumer representatives in improving Baycorp's practices, and for its plans to join an ADR scheme.
4. Catherine Wolthuizen (former policy officer for the Australian Consumers Association), for outstanding advocacy and policy development for the benefit of consumers.