

25 FEBRUARY 2020

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COVID-19  
&  
TRAVEL INSURANCE

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ELIZABETH ESBER  
JESSICA TAT

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EDMUND BARTON  
CHAMBERS

## EXECUTIVE SUMMARY

**COVID-19, short for “coronavirus disease 2019” has infected almost 80,000 people worldwide as of 25 February 2020. On 31 January 2020 WHO declared the outbreak to be a Public Health Emergency of International Concern but stopped short of declaring it a “pandemic”.**

After reviewing a number of travel insurance policies in the context of the COVID-19 outbreak, it is increasingly apparent that the terms and definitions relevant to the outbreak of diseases, could be improved. In the meantime, insurers should adopt a pandemic claims response strategy in respect of policies already issued, which ensure that the policies respond in the fairest way possible and, in compliance with community standards and expectations that are arguably required post Hayne Royal Commission.

## Common questions

**FOR TRAVEL INSURANCE POLICYHOLDERS WHO HAVE HAD TO CANCEL TRAVEL PLANS OR HAVE BEEN QUARANTINED IN THE PROVINCE OF HUBEI, CHINA OR ON A CRUISE SHIP, WILL THEIR TRAVEL INSURANCE RESPOND?**

**WHAT ABOUT TRAVELERS WHO CONTRACTED COVID-19 WHILE TRAVELLING IN COUNTRIES OTHER THAN CHINA, DO THEY HAVE ANY CLAIM IN TRAVEL INSURANCE?**

**DOES IT MAKE ANY DIFFERENCE THAT COVID-19 HAS NOT BEEN DECLARED A PANDEMIC BY THE WHO IN CIRCUMSTANCES WHERE THE AUSTRALIAN GOVERNMENT HAS ISSUED A TRAVEL BAN TO CHINA?**

The short answer is – it depends. However, by and large, strict reading of some travel policies could result a large number of declined claims.

## EXCLUSIONS

**Exclusions are a necessary component of any insurance policy. They provide parameters in relation to what risk an insurer is prepared to insure. They should be able to be relied upon in declining claims which, by virtue of the exclusion, lie outside the scope of insured events.**

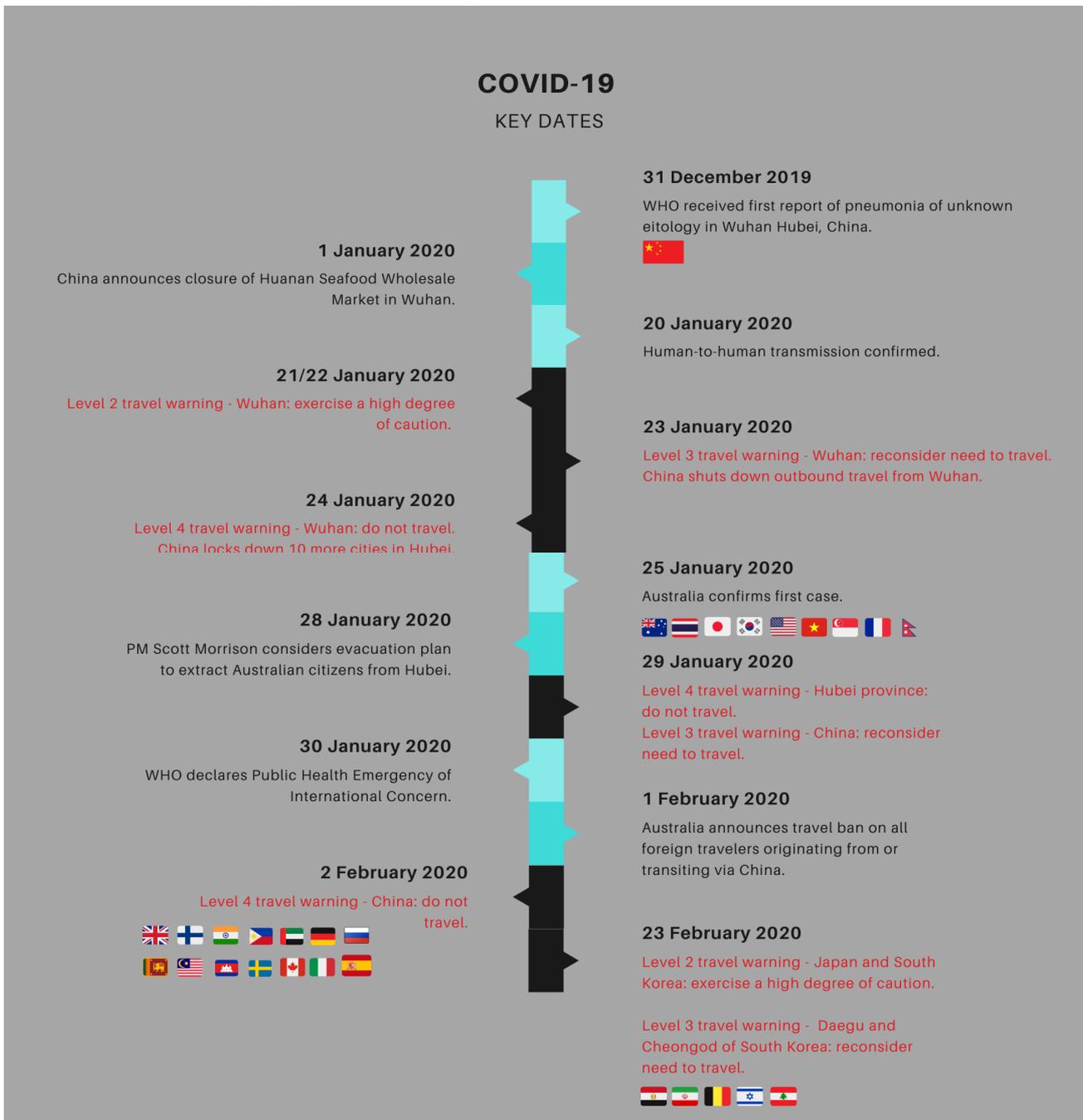
Generally, injury or illness, loss or damage arising from pandemic or endemic events are excluded in travel insurance. Often, however, the pandemic exclusion is phrased in terms that are vague and give minimal, if any, indication as to when or how the exclusion is effected.

If a given exclusion has the effect of denying cover which otherwise would have been provided, this is undoubtedly to the detriment of the consumer. In view of this and the emerging consumer focus of many insurers and regulators, it is integral that terms such as exclusions are clear, specific and, fair. Travel exclusions which are not drafted by reference to defined points in time, government policy or international declarations of crisis (such as the WHO declaring a pandemic in respect of a given virus or disease) may not meet the requisite level of community standards and expectations.

Similarly, there are policies that do not have a pandemic exclusion per se but have other terms and conditions that are equally vague and would pose similar issues at the time of claim.

Key dates reproduced below focus on travel warnings issued by Australia since the outbreak published on ABC News and Sydney Morning Herald, declarations by the WHO and flags of countries that have confirmed cases of infection extracted from the WHO's Situation Reports of such date.

Prior to 29 January 2020 travel warnings were only in relation to Wuhan, Hubei despite confirmed cases in 10 different countries. Level 4 travel warning was not issued for China until 2 February 2020, which by that time there were confirmed cases reported in 14 other countries. Despite local outbreaks, levels 2 and 3 travel warnings for Japan and South Korea were only issued on 23 February 2020. With the lack of specificity in pandemic/epidemic exclusions it is not difficult to imagine disputes in relation to when the exclusion should apply, and if the exclusion should apply to travel beyond China.



## MORE ON COVID-19

**COVID-19, short for “coronavirus disease 2019” has infected almost 80,000 people worldwide as of 25 February 2020. While the outbreak started in Wuhan, Hubei of China, there has been an increasing incidence of local outbreaks worldwide, including South Korea, Japan, Italy, Iran, Hong Kong and Singapore**

On 31 January 2020 WHO declared the outbreak to be a Public Health Emergency of International Concern but stopped short of declaring it a “pandemic”. According to the WHO, a pandemic is the worldwide spread of a new disease. However, regardless of whatever threshold COVID-19 has yet to satisfy to be declared a pandemic, it has already spread to 28 countries[1], killed more than 2,600 people worldwide and, sent multibillion-dollar businesses calling on force majeure.

COVID-19 has already impacted international travel, trade and politics. Unlike the SARS outbreak in 2003 or MERS in 2012, unprecedented measures to contain the outbreak have been taken by China, such as the closure of multiple cities. On the domestic front, Australia has issued a complete travel ban to China and, has closed international borders to travelers arriving from China.

The Australian government has also implemented a specific quarantine policy in respect of those Australian citizens repatriated from Wuhan and from the Diamond Princess cruise ship, which commenced on or about 6 February 2020. To date, 721 number of Australian citizens have been quarantined on Christmas Island and Darwin’s Howard Springs[2], and approximately 100 Australian citizens remain in Hubei, China.

The media has reported some of the challenges medical experts are facing with COVID-19, including difficulties in detecting this virus and the ease of transmission. These features, along with the accessibility of air travel, have presented new challenges to international governments and, it could mark a potential watershed moment for travel insurance.

[1] China, Republic of Korea, Japan, Singapore, Australia, Malaysia, Viet Nam, Philippines, Cambodia, Thailand, India, Nepal, Sri Lanka, USA, Canada, Italy, Germany, France, UK, Russia, Spain, Belgium, Finland, Israel, Sweden, Iran, UAE, Egypt, Lebanon, Diamond Princess Cruise

[2] <https://www.abc.net.au/news/2020-02-23/coronavirus-australia-quarantined-people-set-to-leave/11991918>

# SOLUTIONS

**It should be anticipated that virus events such as COVID-19 have the potential to become more common based on the continued increase in global travel. Insurers should consider both short-term and long term solutions.**

## SHORT-TERM

With COVID-19 outbreaks now reported in several countries, insurers should implement a pandemic claims response strategy to facilitate fair, consistent and timely determination of claims.

A pandemic claims response strategy should address:

- how undefined terms in the policy are to be defined, including when how the pandemic exclusion is triggered, i.e. by travel warnings, an outbreak in the country, a combination of both, or some other event,
- how the policy will apply to those travelling in countries where travel warnings have been issued,
- how the policy should apply to those travelling in countries that are not the subject of any travel warnings, and
- how the policy should respond to those that have not yet departed but had taken out the policy before any travel warnings had been issued.

In addition to the policy, the pandemic claims response strategy should consider the policy wordings, any applicable claims handling guidelines and recommendations by the Hayne's Royal Commission.

If the proper application of the policy, based on its wording, results in the majority of claims by those affected by COVID-19 being declined, the insurer should consider whether declining claims on the basis of the exclusion will be inconsistent with community standards and expectations. Alternatively, the impact of adopting a strategy of making ex-gratia payments for all or some of claims lodged as a result of COVID-19, also needs to be considered, particularly from a reinsurance perspective and, in terms of the precedent set if such a strategy is implemented. Considering that the situation is changing on a daily basis globally, any strategy that is implemented must be adaptable to this evolving situation.

# SOLUTIONS

**Long term solutions should consider re-drafting exclusion terms in policies and better communication with policyholders.**

## **LONG-TERM**

### More explicit wording

The obvious fix to travel insurance policies which might contain outdated or unsophisticated definitions of global phenomena and, vague terms which set the parameters of the cover being provided, is re-drafting. Similar to the recent attention leveled at inaccurate or outdated definitions of health conditions in trauma products, a re-drafting of travel exclusions which reflect the status quo in global travel and the complexity of global events such as pandemics/epidemics, is the optimum way in which to provide products which are clear and fair whilst still allowing an insurer to only insure the risks it is prepared to insure.

The policy should inform the policyholder what, when and how the exclusion will apply.

### Keeping policyholders informed

With the availability of apps, emails and text messages, insurers could also consider contacting policyholders that have pending travel to destinations that are the subject of travel warnings which may result in any claims being excluded. In addition to providing policyholders with more value-add service, it could also assist in creating more transparency in the way policies are managed and play a role in ensuring that claims are managed fairly, honestly, and reasonably.

## IMPACT

**While travel insurance claims may generally be of lesser monetary value compared to other types of personal insurance and potentially viewed as a “luxury” or “lifestyle” product, deficiencies in the policy wording or unfair interpretation of exclusion clauses can have a real impact on a large number of people.**

Like many personal insurance products, consumers take out travel insurance policies to protect themselves, their families and their property against the unanticipated. It is a product taken out with a purpose, least of which might be to provide peace of mind when travelling to both familiar and unfamiliar destinations.

With the unprecedented movement of people internationally and, in the national context of the Hayne Royal Commission, it is now, more prudent than ever that insurers provide travel products that reflect current travel trends, acknowledge the complexity of issues such as disease outbreak and, clearly outline how those policies will respond.

The consequence of vague exclusions being applied in order to decline claims arising from complex international events, like the spread of disease, may attract criticism that some travel insurance products are “junk insurance”.



## Elizabeth Esber

Barrister, Edmund Barton Chambers

Elizabeth was called to the NSW Bar in August 2018 and provides advice and appears in commercial and insurance litigation in relation to breaches of the Insurance Contracts Act 1984 (the ICA), avoidance and variation of cover, complex insurance take-over terms and allocation of risk, and, complaints made to the Australian Financial Complaints Authority (AFCA)). As a solicitor, Elizabeth acted for a number of prominent life insurers and fund trustees in disputed life insurance claims.

Email: [elizabethesber@ebc44.com](mailto:elizabethesber@ebc44.com)

Phone: 9220 6100



## Jessica Tat

Barrister, Edmund Barton Chambers

Jessica was called to the NSW Bar in August 2017 and she specialises in life and general insurance. While at the Bar Jessica has acted for a number of insurers and led a team of lawyers in conducting a large life insurance claims audit as a result of the Financial Services Royal Commission hearings. Jessica has extensive experience in the insurance industry having worked as a solicitor, claims manager, and management consultant.

Email: [jessicatat@ebc44.com](mailto:jessicatat@ebc44.com)

Phone: 9220 6100

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