

Submission to Review of Travel Related
Consumer Protection Measures
PricewaterhouseCoopers
2 Southbank Boulevard
Southbank VIC 3006

16 April 2010

Review of Travel Related Consumer Protection Measures

Thank you for the opportunity for the Insurance Council of Australia Limited¹ (Insurance Council) to comment on the Issues Paper "Review of Consumer Protection Measures in travel and travel related services market in Australia".

Travel Compensation Fund

The Insurance Council is opposed to any changes to the Travel Compensation Fund (TCF).

The Insurance Council contends that whilst the only private insurance products which currently address insolvency risks are limited to commercial airlines and wholesale travel companies, there are **no** insurance products on the Australian market that provide cover for insolvency of travel agents.

The development of a completely new product such as this would require significant evaluation and market research, including risk rating and pricing as well as reinsurance and set-up costs, to determine the feasibility of cover for a risk presently not addressed. The moral hazard issues presented by this risk are considerable and it is unlikely that they could be overcome without significant regulatory oversight of travel agents.

The Insurance Council submits that any proposal to create a travel agent insolvency insurance product, to be purchased by consumers of travel agent services, seeks to absolve travel agents of their fiduciary responsibilities to their clients and shifts this burden to consumers and the general insurance industry.

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. September 2009 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross premium revenue of \$32.2 billion per annum and has total assets of \$94.7 billion. The industry employs approx 60,000 people and on average pays out about \$96.4 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

The Insurance Council believes that the travelling public would be significantly disadvantaged by the withdrawal of the TCF and the protection it provides should a travel agent suddenly cease business.

If you require any further information regarding the Insurance Council's comments, please do not hesitate to contact Laurie Ratz, General Manager, Policy – Risk and Disaster Planning on (02) 9253 5127, or lratz@insurancecouncil.com.au

Yours sincerely

A handwritten signature in black ink, appearing to be 'Karl Sullivan', with a long horizontal line extending to the right.

Karl Sullivan
General Manager, Policy
Risk & Disaster Planning