



Australian Travel Industry Association (ATIA)

Deferred Sales Model Class Exemptions

February 2026

Introduction

The Australian Travel Industry Association (ATIA) welcomes the opportunity to provide a submission to Treasury in relation to the consultation on class exemptions from the deferred sales model regime for add-on insurance.

This submission focuses on add-on travel insurance products sold by travel agents and tour operators. ATIA's members plan and book travel on behalf of consumers, frequently arranging multiple components of a trip, and as a result are well placed to distribute travel insurance with an understanding of the traveller's itinerary, destination and planned activities at the time of booking.

ATIA submits that the policy rationale underpinning the original class exemption for travel insurance in 2021 remains sound. As recognised at the time, travel insurance is often required urgently by consumers, and the potential financial consequences of not having cover when an insured event occurs can be significant. This is particularly evident in cases involving overseas medical treatment or evacuation, where costs can be substantial and, in the absence of insurance, may result in serious consumer detriment and increased reliance on government assistance.

Consumer behaviour in this market has not changed in a way that would justify removing the exemption. Almost two-thirds (62%) of Australian overseas travellers who purchase travel insurance do so on or before the day they book their travel.¹ Allowing consumers to consider and obtain travel insurance at the point of booking aligns with established consumer expectations and purchasing behaviour. Removing the exemption would represent a significant departure from these expectations and would introduce additional friction into the purchasing process, increasing the risk of underinsurance or non-insurance.

Such an outcome would have implications not only for consumers, but also for government. Increased levels of underinsurance are likely to result in greater demand for consular assistance and support for Australians overseas, particularly in cases involving illness, injury or financial hardship. Maintaining the class exemption for travel insurance therefore supports better consumer outcomes while also helping to limit avoidable costs to government.

The characteristics that justified the original exemption, including time sensitivity, high consumer value and the risk of underinsurance, are inherent to travel insurance and unlikely to change. In these circumstances, a permanent exemption would provide appropriate regulatory certainty and avoid the need for repeated reassessment of a product class where the policy basis has remained consistent.

For these reasons, and for the further evidence set out in this submission, ATIA supports the continuation of the travel insurance class exemption on a permanent basis.

About ATIA

ATIA is the peak body for a broad array of Australian travel businesses. Our membership base includes the full spectrum of travel intermediary businesses across Australia including retail, corporate and online travel agents, tour operators, wholesalers and consolidators.

Our members range in size from the largest listed organisations such as Flight Centre, Helloworld, Corporate Travel Management and Webjet, through to small independently owned and operated travel businesses.

A large proportion of travel agent members are small to medium businesses, many of whom operate under networks such as Helloworld, Flight Centre Independent, My Travel Group, itravel, Express

¹ Quantum Market Research, Insurance Council of Australia & DFAT, Travel Insurance Survey 2025, accessed at <https://www.smarttraveller.gov.au/sites/default/files/2025-10/ICA-DFAT-Travel-Insurance-Survey-2025.pdf>.



Travel Group, Travellers Choice and CT Partners. ATIA's membership also includes consolidators, tour operators and wholesalers such as Scenic, APT and The Travel Corporation.

In addition, ATIA administers the Australian Travel Accreditation Scheme (ATAS), which is the largest and most representative accreditation scheme for travel businesses in Australia. Those businesses that meet the standards are provided the designation of being ATIA Accredited. All ATIA members are ATIA accredited and recognised for their highest operational standards including yearly assessment of finances, minimum levels of training, and procedures for dealing with consumer grievances. About 85% of consumers are more likely to book with an ATIA-accredited travel agency or tour operator.

Evidence on Travel Insurance Offered by Agents & Tour Operators

2A. Consumer Value and Claims Performance

Travel insurance delivers meaningful consumer value, with premiums that are modest relative to the scale and likelihood of the financial risks against which consumers are insured. Publicly available data indicates the average cost of travel insurance is approximately \$317,² representing a relatively small upfront expense when compared with the potential costs that can arise if an insured event occurs.

When such events do occur, travellers can face significant out-of-pocket costs, particularly for medical treatment, evacuation and trip disruption. Indicative daily hospital costs in some of the most common destinations for Australian travellers illustrate the magnitude of these risks, and substantially exceed the average travel insurance premium:³

Region	Estimated daily hospital cost
USA	USD \$4000 - \$8,000
Canada	USD \$2000 - \$4000
Indonesia	USD \$800 - \$1500 (private hospital)
Japan	USD \$1500 - \$3000

Claims experience further demonstrates the consumer value of travel insurance when serious insured events occur. Insurers pay a number of high-value claims for serious illness, injury or medical evacuation, with individual claims exceeding \$100,000 and some claims reaching into the millions of dollars. These costs would be financially devastating for most consumers if borne without insurance.

Aggregate claims data also reflects strong and increasing consumer reliance on travel insurance once travel is booked. In the 2023–24 financial year, 310,094 travel insurance claims were lodged, with an acceptance rate of 66%, and \$558.7 million paid to consumers.⁴ Claims volumes increased 19 per cent year on year, indicating that travel insurance is actively relied upon to provide financial protection when insured events occur. This level of claims acceptance and payout demonstrates the tangible value delivered by travel insurance and reinforces the importance of coverage being easily available when travel arrangements are made.

Travel insurance distributed through travel agents or tour operators delivers strong consumer value as an add-on product because it is offered in direct connection with known travel arrangements, destinations and planned activities. Making travel insurance available at the point of booking allows consumers to assess insurance in the context of their itinerary and activities, enabling access to coverage that reflects the specific risks of the trip. Other distribution methods, such as credit card travel insurance, typically provide generic policy coverage that may not align with the traveller's circumstances. This can lead consumers to mistakenly believing they are adequately covered when material exclusions or benefit limitations apply.

For example, a consumer booking a cruise may assume that a generic travel insurance policy or credit card insurance provides adequate cover for medical treatment or evacuation at sea. In practice, cruise-specific risks are often excluded or subject to lower benefit limits under generic policies. Where

² Canstar's 2024 Travel Insurance Star Ratings and Awards, nothing is this based on a selection of policies and there may be variances based on factors such as age, inclusions, etc.

³ Includes ward room rates, general consumables, general nursing services, basic diagnostic, and overhead charges. Excludes Doctor fees, surgery, theatre, or anaesthetic fees etc.

⁴ General Insurance Code Governance Committee's (CCG) [Annual Industry Data and Compliance Report](#).

travel insurance is offered as an add-on through a travel agent at the time the cruise is booked, the travel agent can draw the consumer's attention to cruise-specific inclusions or exclusions, supporting informed decision-making and more effective protection if an insured event occurs.

More broadly, evidence indicates that consumers often mistake lower prices for better value when selecting travel insurance, even where coverage quality differs materially. Recent research shows that 57% of Australian travellers identify price as their key consideration when choosing travel insurance, while fewer prioritise the adequacy or relevance of coverage.⁵ In addition, CHOICE has found that "86% of travellers seek to keep costs down costs down, but this may increase their exposure to risk if those options are less safe".⁶

Taken together, this evidence indicates that consumer decision-making in this area is highly price-sensitive and that cost considerations often outweigh an assessment of coverage quality. In this context, consumer value is better assessed by reference to whether a policy provides meaningful protection when an insured event occurs, rather than by price alone.

Applying the deferred sales model to travel insurance risks undermining these consumer outcomes. A mandatory deferral period may encourage consumers to prioritise price over coverage suitability during the deferral window, increasing the risk of underinsurance. This is not good value for money for the consumer, as the value of travel insurance is not determined by price, but by whether the coverage provided is appropriate to the risks of the trip and capable of delivering meaningful protection when a claim arises. Maintaining the class exemption for travel insurance supports informed consumer decision-making at the point of booking and promotes more effective consumer protection outcomes.

2B. Relative Value Compared to Stand-Alone Market Offerings

Travel insurance offered as an add-on does not differ in any material way from travel insurance available through stand-alone channels. Feedback provided to ATIA is that insurance companies generally offer the same plan choices, inclusions and core benefits to consumers purchasing travel insurance through partner-assisted sales and those purchasing directly.

The consumer value associated with add-on travel insurance arises primarily from the timing and convenience of the offer. Making travel insurance available at the time travel arrangements are booked ensures that consumers are aware of insurance as a relevant consideration when travel risks are being considered, without constraining their ability to seek alternative products or pricing.

The Australian travel insurance market remains highly competitive amongst different distribution channels and segments of the travel insurance market. Travellers are very aware of the different avenues they have to shop around for travel insurance and this drives competition and value across the industry.

International evidence supports this position. In the United Kingdom, research indicates that add-on travel insurance buyers show a good awareness of stand-alone alternatives⁷ and that the competition from these stand-alone travel insurance alternatives impacts the pricing of travel insurance add-ons.⁸ Similar dynamics operate in Australia, where consumers face no barriers to obtaining stand-alone quotes online. In this context, travel agents add value through convenience and customer service at the time of booking, while consumers retain full discretion to purchase insurance through any channel.

⁵ Mozo Travel Insurance Report 2025.

⁶ CHOICE Travel Insurance Buying Guide, commissioned by DFAT, November 2024, accessed at <https://www.smarttraveller.gov.au/choice-travel-insurance-buying-guide>.

⁷ UK Financial Conduct Authority, March 2014, General insurance add-ons: Provisional findings of market study and proposed remedies, MS14/1 p.24.

⁸ UK Financial Conduct Authority, March 2014, General insurance add-ons: Provisional findings of market study and proposed remedies, MS14/1 p.34.

2C. Risks of Underinsurance or Non-Insurance Without an Exemption

Travel insurance is commonly purchased at the same time as travel arrangements, reflecting established consumer behaviour and expectations. It has previously been reported that almost two-thirds (62%) of Australian overseas travellers who buy insurance do so on or before the day they book their travel.⁹ Travellers continue to approach travel agents with an expectation that travel insurance can be considered and purchased alongside their travel arrangements.

Uncoupling the purchase of travel insurance from the booking of travel would be out of step with these expectations and would introduce inconvenience and friction into the purchasing process. This would materially increase the risk of underinsurance or non-insurance, particularly for travellers with imminent departures or those who are less likely to proactively revisit the issue of insurance after booking.

Travel insurance plays a critical role in helping travellers avoid the costs of illness, injury, cancellations and other emergencies overseas, and in mitigating demand on Australian Government consular services.

In 2024-25, the Department of Foreign Affairs and Trade (DFAT) provided consular assistance and crisis support in more than 26,000 cases involving Australians overseas, with an average of 1,500 active consular cases at any one time.¹⁰ DFAT has previously recognised that increased consular assistance would be required if it were not for the existence of travel insurance and travel agents.¹¹ Any policy change that increases the incidence of uninsured or underinsured travel would therefore be likely to increase pressure on consular resources and associated public expenditure.

It would not be in the public interest to implement a system that:

- increases the risk that travellers, particularly those with imminent departures, are underinsured or choose not to purchase travel insurance;
- creates an additional window of underinsurance during the deferral period; or
- exacerbates existing behavioural risks associated with apathy or procrastination in relation to travel insurance.

Underinsurance for imminent departures

The deferred sales model would introduce a heightened risk that consumers purchasing travel within four days of departure may be left without cover for the start of their trip, or may opt out from purchasing travel insurance altogether.

Travellers booking close to departure are often finalising essential travel logistics, and the requirement to delay the purchase of insurance, or to seek insurance separately from the rest of their travel planning, introduces an additional procedural step at a time when the opportunity to revisit the issue may be limited. This risk reflects the additional friction introduced by a deferred sales model, which may reduce the prompt to obtain travel insurance at the time travel is booked and result in consumers delaying or foregoing the purchase of travel insurance altogether.

In some cases, delays in obtaining travel insurance may affect a traveller's ability to proceed with their travel plans. Certain destinations require visitors to hold travel insurance as a condition of entry or visa approval, and barriers to purchasing insurance close to departure may create practical difficulties for travellers.

⁹ CHOICE Travel Insurance Buying Guide, commissioned by DFAT, November 2024, accessed at <https://www.smartraveller.gov.au/choice-travel-insurance-buying-guide>.

¹⁰ DFAT, Consular State of Play 2024-25, accessed at <https://www.smartraveller.gov.au/consular-services/consular-state-of-play/data>.

¹¹ DFAT, Consular State of Play: 2017-18, p.1, accessed at <https://www.smartraveller.gov.au/sites/default/files/2022-11/consular-state-of-play-2017-18.pdf>.

Where a consumer has left it too late to purchase insurance prior to travel, options can become more constrained. Only some insurers permit consumers to purchase travel insurance once already overseas,¹² and policies purchased while overseas typically include waiting periods of 48 to 72 hours before coverage commences. As a result, travellers may be exposed to periods without effective cover at the start of the trip.

While some consumers may seek to purchase travel insurance through stand-alone channels, the increased risk of non-insurance for travellers with imminent departures supports the continuation of the class exemption.

Underinsurance window during the deferral period

If the class exemption is not continued, the deferred sales model would introduce a four-day period during which consumers who have committed to travel arrangements would be exposed to an increased risk of underinsurance, where no such risk currently exists.

During the deferral period, consumers may have already entered into significant and often non-refundable travel commitments but not yet have travel insurance in place. If an unforeseen event occurs during this period, such as illness, injury or other circumstances that prevent travel, consumers may be unable to rely on insurance to mitigate or recover associated financial losses.

In these circumstances, the deferred sales model may have precluded them from purchasing travel insurance at a critical point in time. As a result, affected consumers would have no avenue to mitigate or recover their financial losses, increasing the likelihood of consumer detriment and associated complaints directed at both travel agents and the Commonwealth.

Such a result is also at odds with guidance on when to purchase travel insurance provided by DFAT, which encourages travellers to “buy travel insurance as soon as you know your travel dates. That way you’re covered if your trip is cancelled before you even leave or if you’re unable to travel at all”.¹³ This guidance reflects that fact that being ‘forced to cancel trip before departure’ is among the most commonly claimed insurable events.¹⁴

Additional underinsurance from apathy and procrastination

Evidence indicates that a proportion of travellers already fail to purchase travel insurance due to apathy or inattention. A recent survey found that one in seven (14%) Australians were not covered by travel insurance on their most recent trip, with younger Australians (23% of under 30s) and those from culturally and linguistically diverse backgrounds (23% of those born overseas) having a higher than average propensity to travel uninsured.¹⁵ Of uninsured travellers, 35% “did not even think about it.”¹⁶

This highlights the importance of prompting travellers to consider travel insurance at the point when they are actively engaged in booking travel. Travel agents play an important role in this process by ensuring that travel insurance is presented as a relevant consideration alongside travel arrangements, and by directing consumers to relevant policy information in light of their known travel plans.

Introducing a deferred sales model risks compounding existing behavioural barriers by relying on consumers to revisit the issue of travel insurance after booking. For travellers already prone to apathy or procrastination, separating the consideration of insurance from the booking process increases the likelihood that the purchase of travel insurance is delayed or overlooked altogether, leading to higher rates of underinsurance and non-insurance.

Higher levels of non-insurance have broader public interest implications. Travellers who experience illness, injury or other emergencies overseas without insurance are more likely to seek assistance

¹² CHOICE Travel Insurance Buying Guide, commissioned by DFAT, November 2024, accessed at <https://www.smartraveller.gov.au/choice-travel-insurance-buying-guide>.

¹³ CHOICE Travel Insurance Buying Guide, commissioned by DFAT, November 2024, accessed at <https://www.smartraveller.gov.au/choice-travel-insurance-buying-guide>.

¹⁴ CHOICE Travel Insurance Buying Guide, commissioned by DFAT, November 2024, accessed at <https://www.smartraveller.gov.au/choice-travel-insurance-buying-guide>.

¹⁵ ICA & DFAT, Travel Insurance Survey, June 2025, p.12, accessed at <https://www.smartraveller.gov.au/sites/default/files/2025-10/ICA-DFAT-Travel-Insurance-Survey-2025.pdf>.

¹⁶ ICA & DFAT, Travel Insurance Survey, June 2025, p.13, accessed at <https://www.smartraveller.gov.au/sites/default/files/2025-10/ICA-DFAT-Travel-Insurance-Survey-2025.pdf>.

from the Australian Government. DFAT has consistently emphasised the role of travel insurance in reducing reliance on consular services, particularly in cases involving medical emergencies, evacuation and financial hardship. Any policy change that increases the incidence of uninsured travel is therefore likely to increase pressure on consular resources and associated government costs.

Taken together, this indicates that applying the deferred sales model to travel insurance would exacerbate existing behavioural risks and contribute to higher levels of underinsurance, with adverse consequences for consumers and increased demands on government services. Maintaining the class exemption supports timely consideration of travel insurance at the point of booking and helps mitigate these risks.

2D. Level of Consumer Understanding

Consumers who consider and purchase travel insurance generally have a good level of awareness and understanding of the product. Most travellers understand that, without travel insurance, they would be personally liable for significant costs arising from unforeseen events such as overseas medical emergencies, trip cancellations or lost baggage.

The Australian Government has also made sustained investments in improving consumer understanding of travel insurance, including why it is important and how to choose appropriate cover. This include DFAT investing in consumer education by commissioning CHOICE to produce a Travel Insurance Buying Guide, alongside ongoing education through the Smartraveller and MoneySmart websites and related communications campaigns. These initiatives have contributed to improved customer familiarity with key travel insurance concepts and the importance of aligning cover with travel plans.

Evidence suggests that consumers who purchase travel insurance actively engage with product information. Research cited by CHOICE indicates that, among those who purchased travel insurance, 43% read the product disclosure statement (PDS) in detail, 45% skim-read the PDS, 8% relied on another person on the policy to read it, while only 2% reported that they did not and would not read the PDS, and 2% were unsure.¹⁷ This indicates a relatively high level of interaction with disclosure material among consumers purchasing travel insurance.

The volume of claims made each year also suggests that consumers are able to recognise when travel insurance is relevant and take steps to rely on their cover when an insured event occurs. Industry data further indicates that claim frequency for add-on travel insurance is comparable to that of travel insurance purchased directly, suggesting that consumers purchasing add-on cover are able to identify when insurance is relevant and rely on their cover in a similar manner to those purchasing through stand-alone channels.

While some consumers may still misunderstand basic travel insurance policy details, travel agents and tour operators play an important role at the point of booking by supporting consumer understanding of available travel insurance options and key policy features, when travel arrangements and activities are known. Where travellers are purchasing the majority of their travel through a single channel, information about travel insurance can be presented in a consolidated and contextual manner, reducing the risk of misunderstanding or incorrect assumptions about coverage. This can be contrasted with further removed segments of the market, such as credit card travel insurance, which is typically generic and may not reflect the traveller's destination, activities or travel plans, resulting in coverage that may be less effective when an insured event occurs.

2E. Key Differences from Stand-Alone Market Products

Feedback provided to ATIA is that insurers generally offer the same plan choices, inclusions and core benefits to consumers purchasing travel insurance through partner-assisted sales as those purchasing directly through stand-alone channels. In this sense, travel insurance offered as an add-on does not represent a substantively different product class, and consumers are not exposed to lower-value or materially different coverage when purchasing at the point of booking.

¹⁷ CHOICE Travel Insurance Buying Guide, commissioned by DFAT, November 2024, accessed at <https://www.smartraveller.gov.au/choice-travel-insurance-buying-guide>.

The primary point of difference between add-on and stand-alone travel insurance relates to the context in which the product is offered, rather than the design of the product itself. Where travel insurance is offered alongside travel arrangements, the value to consumers arises from convenience and timing, including the ability to consider insurance when travel plans, destinations and activities are known.

2F. Non-Regulatory Sector Changes Since 2021

Since the deferred sales model class exemptions were settled in 2021, the underlying rationale for exempting travel insurance has remained unchanged and continues to be supported by developments in the travel and travel insurance sector.

International travel by Australians has continue to increase, with an increase of 8.6%¹⁸. As more Australians travel overseas, a greater number of consumers are exposed to the financial risks associated with overseas medical treatment, trip cancellation and travel disruption, which require effective risk management through travel insurance.

Travel patters and purposes have also continued to evolve. Data from the ICA–DFAT Travel Insurance Survey 2025 indicates that 45% of Australians report a willingness to take risks in pursuit of unique or memorable experiences when travelling overseas. In parallel, travel insurance product have evolved, with insurers expanding coverage for a wider range of activities, including adventure, snow, water and wheeled activities. This increasing diversity of travel and coverage reinforces the importance of travellers being able to consider travel insurance in the context of their known destinations, itineraries and planned activities, rather than as a deferred or separate decision.

At the same time, as international travel has returned to being a routine activity for many Australians, there is an increased risk of complacency in relation to travel insurance. A perception that adverse events are unlikely can lead some travellers to delay or overlook insurance altogether. This behavioural dynamic was relevant when the exemption was originally granted and remains relevant today, supporting the importance of timely consideration of travel insurance at the point of booking.

In addition, growth in travel to destinations with less developed or more variable healthcare systems since 2021 increases the potential consequences of travelling without adequate insurance. In these destinations, access to appropriate medical care or medical evacuation can be limited or costly, heightening the financial risks faced by uninsured travellers.

The broader regulatory environment has also continued to evolve since 2021. The operation of anti-hawking provisions and the ongoing implementation of the Design and Distribution Obligations have strengthened consumer protections around the sale and design of insurance products, including travel insurance. These measures address risks associated with inappropriate sales practices and product suitability, reducing the likelihood of consumer harm that the deferred sales model was intended to address.

There has also been increased competition in the Australian travel insurance market since 2021, supporting consumer value through greater choice and ongoing product development.

Overall, these non-regulatory developments since 2021 support the continuation of the travel insurance class exemption and indicate that the rationale underpinning the original exemption remains sound.

Existing Consumer Protections

Travel insurance is already subject to a range of consumer protection measures that reduce the risk of poor sales outcomes and support the ongoing continuation of the class exemption.

All travel insurance products distributed through travel agents carry a minimum 14 day cooling-off period, consistent with the requirements applied across the Australian travel insurance market.¹⁹ This cooling-off period allows travellers to cancel their policy and receive a refund prior to travel commencing, providing a meaningful opportunity to reconsider their purchase after the point of sale.

¹⁸ ABS, Overseas Arrivals and Departures, November 2025.

¹⁹ Corporations Act 2001(Cth), s1019B.

Importantly, the cooling-off period provides consumers with an in-built mechanism to reconsider, defer or reverse their decision without penalty, while still ensuring that cover is available immediately once travel arrangements are made. In this context, existing cooling-off protections already address the consumer risks that the deferred sales model is intended to mitigate, and the application of an additional deferred sales requirement to add-on travel insurance would be duplicative and introduce unnecessary friction for travellers who already have the ability to cancel their policy if it does not meet their needs.

In addition, the operation of anti-hawking provisions and the Design and Distribution Obligations has strengthened protections around how add-on insurance products are offered and distributed. These measures reduce the risk of unsolicited or inappropriate sales practices and require that travel insurance products and distribution arrangements are aligned with the needs of the intended consumer group.

In ATIA's view, the existence of these safeguards also strengthens the case for the exemption to be maintained on an ongoing basis.