

Background information on insurance for recreational divers

Introduction

As more and more divers travel to more and more exotic places to enjoy their activity it is clear that advice is needed on appropriate insurance cover.

Insurance can be regarded as an element of a diver's risk management strategy and as such requires the diver to understand both its use and limitations.

Insurance works by a large group exposed to a particular risk paying into a fund that is then used to reimburse subscribers suffering an insured loss. The system works when the subscribers see the premium as reasonable, the cover meets claimants needs and the proposers are content with their profit. In general economic terms the larger the subscriber pool the lower the premium proposers can offer.

Diving is obviously regarded as an unusual activity and covering contingent risk varies throughout the European Union. Cover provided by national health and accident schemes varies widely and consequently the insurance habits and needs of EU divers diving within their own country, other EU countries and outside the EU also vary.

The diver can now choose insurance packages specifically designed to meet all or some of these needs, either as a bolt-on to other insurance or a stand alone product. A third option is to have a general personal or family policy (life, accident, medical, household, etc.) that includes suitable diving and dive travel cover.

This paper is designed to provide background information to assist in making that choice and a benchmark against which to assess such products.

This paper restricts its information to the classes of insurance detailed below, which within the insurance industry are known as non-life.

Background.

Most travel and holiday insurance is designed for a broad market, often focussed on package tours. This rarely takes into account the needs of a recreational diver and often is either insufficient or even excludes such activities.

Whilst uncommon, diving injuries may well require specific treatment and aftercare that can necessitate expert support and scarce, expensive facilities. For divers without appropriate cover this can create severe and even dangerous problems should the necessary care not be immediately available.

Divers should consider their insurance needs in respect of search, rescue, recovery, treatment and repatriation. Whilst it might be possible that personal equipment may be covered by domestic insurance, responsibility for locally hired equipment may also need insuring.

Ensure that the kind of diving you wish to undertake is not excluded - often depth limits, ppO₂ values and particular equipment are mentioned. Age limits, appropriate certification

and pre-existing medical conditions may also apply.

Consider also the difference between indemnity cover where the claimant pays costs up front and policies that meet costs as they arise, including guarantees to medical and other services.

The information provided in this paper is principally aimed at Europeans travelling outside of Europe, where European Directives, custom and practice may not apply but should also be useful for diving in other European states or home countries.

Demographics.

Market research indicates there are more than 3 million Europeans enjoying diving annually, many of whom make diving trips outside of Europe. Surveys show that some 50% of western European divers make at least one trip abroad each year and probably more than 60% of Europeans start their diver training abroad.

The European diving population is of a very widespread national and social background, hence a variety of cover needs. In turn this is reflected in the variety of policies on offer and prices of these policies.

Travel element

Cancellation/curtailment: usually part of a travel insurance, check that dive packages purchased locally and not through a holiday package are covered (independent traveller arrangements). It can be difficult to find this cover element for group dive trips organised through local centres or clubs.

Personal liability/legal costs: costs and awards increase going west in the EU, current out of court settlements in UK and Ireland are many hundreds of thousands of €. A badly broken leg can result in two to three hundred thousand € plus legal costs. In the UK and Ireland only 1% of the civil liability has to be proved to recover 100% of the legal costs.

Insurance purchase habits also vary across Europe, in some states it is normal for all households to buy annual personal liability that may also cover diving activities, even overseas.

Current personal civil liability awards have exceeded five million € on occasion.

Baggage and equipment: this may be included in household insurance of sports equipment but if so check overseas travel is covered. It may also form part of an accident insurance but often this is partial and dependent on the accident circumstances/ more commonly it forms part of a travel insurance.

Personal money/passport loss: sometimes this can be part of a household insurance but if so check overseas travel is covered. Usually it is part of a travel insurance.

Delay: extra costs due to transport or other delays to a trip.

Cancellation: certified cancellation of a trip on medical other reasons.

Territorial limits: ideally worldwide, if not should include all areas in your travel schedule.

Medical/emergency element

Search, rescue and recovery: Not all countries operate free search, rescue or recovery and in many cases casualties will have to meet significant associated expenses. In extreme cases prolonged searches could be prejudiced without evidence of suitable insurance and/or up-front payment guarantees demanded.

Accident definition: ensure policies do not exclude bites, stings, hypothermia, hyperthermia, suffocation (breathing gas problems) or drowning.

Hospital/re-compression treatment: In some areas either advance payment or evidence of suitable insurance is demanded before hospital treatment or hyperbaric treatment is commenced. Policies should also cover both in- and out- patient treatment and prescription costs.

Repatriation: Should the casualties best interests indicate either repatriation or treatment in another country be appropriate suitable insurance is prudent.

Additional expenses: expenses needed to cover trip prolongation and travel of a partner to accompany a hospitalised casualty.

Emergency assistance: Bearing in mind language issues and time zones it is important to have an insurance system offering a 24/7 worldwide contact and activation mechanism.

Accident cover element

Disability: Cover may extend to both temporary and permanent disability with either loss of earnings or lump sum compensation packages.

Death: Bearing in mind that not all standard life insurances will cover a diving fatality, or may offer limitations as to cover, further insurance may be advisable, including consequential but delayed death. Cover may also be desired for repatriation of remains or local funeral costs.

In both these elements there can be very significant variance in divers' personal needs. Those with additional responsibilities to others such as family members may well wish to take out much higher cover appropriate to meet these needs.

Glossary of insurance terms

Accident Insurance, for the specific risk of diving, sometimes called Personal Accident or PA Cover.

Affinity Group Insurance: A contract of insurance covering a group or association of individuals, companies or other entities under one master insurance policy.

Association/Club Liability Insurance, block cover for members and employees for general liability plus personal liability and in some cases compulsory liability insurance for Workers Compensation.

Broker: A company or person regulated to mediate in insurance on behalf of the Insured.

Dive Equipment Insurance, this is a form of property insurance and can attach in several different ways through home property contents insurances, travel insurance or even some accident insurances.

Excess: Agreed amount deducted from an award judged to be 'self insured'.

Exclusions: events specifically excluded from any insured benefit.

Insurance Company: A regulated Insurer.

Insured: A person, company, group or association covered by the benefits of an insurance contract

Jurisdiction: the law and legal system under which the insurance contract is issued.

Life Insurance, highly regulated class of insurance has generally loaded or excluded life risks for divers.

Lloyd's: A closed market of insurance syndicates accessed by Lloyd's approved Brokers.

<http://www.lloyds.com/>

Lloyd's Cover Holder: A company that underwrites special risks for Lloyd's syndicates or a consortium of syndicates but outside of the Lloyd's market

Market: A collection of regulated Insurers.

Personal Liability Insurance, for underwater activities or associated surface activities that cause death, injury or damage to third parties and/or their property.

Reinsurance is passing some of this insurance risk on by selling it into the international reinsurance market, and **retrocession agreements** are financial guarantees given to its reinsurers by banks and financial institutions to underpin solvency if claims or losses peak above certain limits.

Security: The definable financial strength of the Insurer and related underpinning reinsurance and retrocession agreements. These are three separate markets that relate to an insurer's security, **primary insurance** is the amount or level of risk it is allowed to insure retaining solvency.

Security Rating: An international rating recognised by the Competent Authorities i.e. Standard and Poor's
http://www2.standardandpoors.com/portal/site/sp/en/us/page.topic/ratings_fs_ins/2,1,5,0,0,0,0,0,0,0,0,0,0,0,0,0,0,0,0,0,0,0.html

Subrogation: the right of the insurance company to offset costs against any other insurance policy which could be called into contribution.

Trade Combined Commercial Insurances, packages of insurance that provide protection to the Dive Trade, Manufactures and Service Providers. These may include professional indemnity and financial guarantee insurances.

Travel Assistance or assistance insurance is the provision of services, some with fixed monetary benefits.

Travel Insurance covering the travel risks associated with travelling to dive sites around the world.

Costs to benefits

Within Europe insurance claims met and awards made in different countries vary widely. So typically Spain would present as 10% of UK Costs to Benefits. Germany would be higher and Holland higher still with the UK at 100% and Ireland at 90%. This is of course reflected in premiums.

Outside of the EU civil Liability issues are more difficult to predict, in Turkey a claim for an injury that in the UK would have been reserved at £20,000 has been settled at about £2,000 but has taken 8 years to resolve so this will have an impact on how the insurance company reserve their outside of EU liability losses and reserves over such a long tail period.

Table of typical minimum cover per diver

Please note that this list is not exhaustive, just highlighting common elements with minimum values per diver current at publication date.

Recreational diving benefits schedule

Search and rescue	€ 25,000.00
Emergency medical expenses	€ 500,000.00
Hyperbaric treatment	€ 150,000.00
Additional transport and accommodation	€ 10,000.00
Emergency air evacuation/repatriation	€ 100,000.00
Personal accident - death	€ 20,000.00
Personal accident - permanent total disability	€ 75,000.00
Equipment loss	€ 3,000.00

General travel insurance

Personal accident (non-diving)	€ 35,000.00
Personal Money	€ 500.00
Passport loss	€ 350.00
Travel documents	€ 350.00
Baggage	€ 3,000.00
Cancellation and curtailment	€ 7,500.00
Delayed departure	€ 200.00
Missed transportation	€ 1,000.00
Medical and emergency expenses	€ 1,000,000.00
Hospitalisation allowance	€ 1,500.00
Legal expenses	€ 35,000.00
Personal liability	€ 3,000,000.00

Appendix

Governance - Applicable Laws/Directives in the EU

Insurance Mediation Directive 2002/92/EC

http://ec.europa.eu/internal_market/insurance/mediation_en.htm

Applicable Legislations Specific to Diving: Life Directives, Non Life Directives:

http://ec.europa.eu/internal_market/insurance/legis-inforce_en.htm

There are three EU Directives governing non-life insurance:

1. 73/239/EEC concerns the taking-up and pursuit of such insurance within EU member states
2. 88/357/EEC concerns cross-border non-life business balancing consumer protection and freedom to provide services
3. 92/49/EEC establishes an authorisation system for branch offices under the supervision of the head office state

Insurance Regulation: In each EU country is by the Competent Authority

http://ec.europa.eu/internal_market/insurance/docs/mediation/notificationscm_en.pdf

All 27 member states have ratified these Directives.