



## **Session PL-1: Beyond Auto and Homeowners: A Focus on Other Personal Lines Products**

**Travel Insurance**

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# Agenda

- What is travel insurance?
- Program administration
- Pricing considerations
- Travel insurance filings
- Questions?

# What is Travel Insurance?

# What is Travel Insurance?

- Trip cancellation/trip interruption coverage
- Trip delay coverage
- Emergency medical expense coverage
- Emergency medical evacuation coverage
- Baggage loss and delay coverage
- Accidental death and dismemberment coverage
- Car rental coverage
- Coverage options

# Trip cancellation/trip interruption coverage

- Covered causes of loss typically include:
  - Unexpected injury or illness of the traveler, a family member or a traveling companion
  - Death of the traveler, a family member or a traveling companion
  - Military duty call-ups
  - Adverse weather or natural disasters
    - Excluding events that occur before coverage is purchased, such as formation of a hurricane
  - Damage to the traveler's home due to fire, flood, volcano, earthquake, burglary, etc.
  - Subpoena or jury duty
  - Hijack or quarantine
  - Unexpected termination of employment
  - Unexpected default of a tour operator, airline, hotel, resort, travel supplier, etc.
  - Felonious assault
  - Labor disputes
  - Terrorist incidents
    - Excluding events that occur before coverage is purchased

## Trip cancellation/trip interruption coverage

- Sometimes, packages exclude one or more of the above perils
  - In some cases, excluded perils can be added for an additional cost
- Cancellation for business reasons is sometimes provided or can sometimes be purchased as an endorsement
  - Provides coverage for cancellation because the traveler has to work
- Cancellation for any reason is sometimes also available for purchase
  - Provides change-of-mind coverage
  - No fortuitous event required

# Trip cancellation/trip interruption coverage

- Generally provides coverage for:
  - Cancellation penalties (nonrefundable payments or deposits) imposed by tour operators, airlines or common carriers
  - Change fees
  - Any other non-refundable costs (such as for excursions)
  - Charges incurred for cost differences if a traveling companion cancels a trip, but the covered person does not (for example, the difference in cost between single and double occupancy)
  - If the traveler must return home:
    - Additional transportation expenses
    - The value of unused airfare
    - The unused portion of nonrefundable land or sea travel arrangements
  - Additional accommodation and/or transportation expenses if the traveler or a traveling companion is hospitalized or is medically unable to travel
  - Costs to return the traveler's vehicle to his or her residence if a trip is interrupted and he or she returns home via alternate transportation
  - Transportation expenses associated with rejoining a covered trip

## Trip delay coverage

- Covered causes of loss typically include:
  - Delay or cancellation of a flight
  - Denied boarding due to overbooking
  - Delays caused by a missed flight connection due to late arrival of an incoming flight
- Generally provides coverage for:
  - Hotel accommodations
  - Transportation
  - Food
  - Necessary personal articles and business effects
- A travel delay between 3 and 12 hours typically applies
- Coverage is typically subject to both a per-day and an aggregate limit



# Emergency medical expense coverage

- Covered causes of loss typically include:
  - Sickness or accidental injury while on a covered trip
- Generally, provides coverage for:
  - Treatment by a doctor
  - Emergency services and/or hospitalization
  - Prescriptions
  - Ambulance services
- Dental coverage may or may not be provided
- Coverage can be either primary or excess
  - Depends on provider preferences and state regulations
  - Excess to primary medical insurance; coverage pays deductibles, coinsurance, etc.
- Coverage typically concludes when the traveler returns to the initial departure location, even if medical costs continue to be incurred for a sickness or injury that occurred during the covered trip

# Emergency medical evacuation coverage

- Covered causes of loss typically include:
  - Sickness or accidental injury while on a covered trip
- Generally provides coverage for:
  - Evacuation to the nearest adequate medical facility
- If extended hospitalization is required, visitor to bedside coverage may also be provided
- Airline change fees may also be covered

# Baggage loss and delay coverage

- Covered causes of loss typically include:
  - Unexpected/unintentional loss, damage or theft of baggage
    - In some cases, coverage is only available while on airport premises or when the baggage is in the care of an airline or common carrier; coverage sometimes also extends to hotel/motel property
    - In other cases, coverage is available for the duration of a trip
  - Delay of baggage due to the fault of an airline or common carrier
- Generally provides coverage for:
  - Either actual cash value or replacement cost of bags which are lost, damage or stolen
  - The cost of replacing or renting necessary personal articles and, in some cases, business effects if bags are delayed
    - A waiting period between 3 and 24 hours typically applies
- Coverage may be subject to per article and high-risk article limits
- Certain items (cash, securities, etc.) are typically excluded
- Coverage can be either primary or excess
  - Excess to airline or innkeeper liability

# Accidental death and dismemberment coverage

- Covered causes of loss typically can include:
  - Accidental death and dismemberment while traveling by air or common carrier
  - 24-hour accidental death and dismemberment coverage
- Generally provides coverage for:
  - The stated benefit amount in the case of death
  - A percentage of the stated benefit amount depending on the severity of the dismemberment
    - For example, 50% of the stated benefit may apply for loss of one hand, while 100% may apply for loss of both hands

# Car rental coverage

- Covered causes of loss typically can include:
  - Physical damage coverage (comprehensive and collision) on the car
  - First-party accidental injury coverage
  - Personal effects
  - Accidental death and dismemberment coverage
- Generally provides coverage for:
  - Cost of repairs to the vehicle, limited to no more than the actual cash value of the vehicle
    - Coverage is typically limited to some maximum between \$25,000 and \$100,000, and a deductible sometimes applies
    - Towing is also typically covered; loss of use is sometimes also covered
  - Medically necessary treatment of injuries suffered in an accident
  - Damage to or theft of personal effects in the car
  - The stated benefit amount in the case of death
  - A percentage of the stated benefit amount depending on the severity of the dismemberment
    - For example, 50% of the stated benefit may apply for loss of one hand, while 100% may apply for loss of both hands

## Car rental coverage

- Coverage for physical damage and accidental death and dismemberment is typically primary
- Coverage for first-party injury coverage and personal effects coverage is sometimes excess
  - Depends on provider preferences and state regulations
  - Excess to medical insurance and homeowners insurance

# Coverage options

- Typically, products can be purchased as a package that includes multiple components, or coverages can be purchased on a stand-alone basis
  - Most providers offer multiple fixed packages with varying limits and coverage terms
  - Basic packages sometimes exclude certain coverages, such as flight accident and car rental coverage, but allow additional coverage to be added

# Program Administration





# Program administration

- Popular travel insurance administrators/marketers include Travel Guard, Access America, Travelex and American Express
- The product administrator/marketer is often not the underwriter of the product
  - May have to review the policy form to find the insurance company underwriting the program
  - Travel Guard's products are underwritten by National Union Fire Insurance Company, a Chartis subsidiary
  - Access America's products are underwritten by Jefferson Insurance Company and BCS Insurance Company
  - Travelex's products are underwritten by Nationwide, Old Republic Insurance Company and United States Fire Insurance Company
  - American Express's products are underwritten by AMEX Assurance Company
- The travel programs are usually marketed through many different channels
  - Travel agents
  - Travel websites, such as Orbitz, Travelocity and Expedia
  - The travel program's own website, such as travelguard.com
  - Other websites specifically devoted to travel insurance, such as insuremytrip.com
  - Travel service providers, such as airlines, hotels and car rental companies
- Third party administrators are commonly used for customer service, policy issuance, claims handling and data collection

# Pricing Considerations



# Rating plan structures and rating variables

## Cruise, Tour and Travel

- Rating plan structures typically depend on the coverage option
  - Pricing for packages is usually based on trip cost and age of traveler
    - Claim costs tend to increase as trip cost increases
      - Non-refundable cancellation/interruption costs are higher
      - More expensive trips tend to be longer, which not only increases the potential for trip interruption claims, but also increases the potential for claims under other coverages, such as medical expense coverage
      - More expensive trips tend to be to international destinations, which increases the potential for medical evacuation claims
    - Frequency for coverages such as trip cancellation/interruption and medical increase dramatically with age of traveler

Trip Cost Per Person:	AGE						
	0-34	35-59	60-69	70-74	75-79	80-84	85+
\$ 0	\$26	\$30	\$44	\$50	\$56	\$99	\$114
\$ 1 - \$ 250	\$31	\$36	\$53	\$59	\$77	\$114	\$131
\$ 251 - \$ 500	\$36	\$42	\$62	\$68	\$87	\$128	\$148
\$ 501 - \$ 1,000	\$62	\$75	\$104	\$122	\$152	\$220	\$240
\$ 1,001 - \$ 1,500	\$90	\$103	\$146	\$172	\$222	\$321	\$341
\$ 1,501 - \$ 2,000	\$116	\$143	\$187	\$220	\$297	\$435	\$448
\$ 2,001 - \$ 2,500	\$145	\$178	\$229	\$284	\$373	\$545	\$555
\$ 2,501 - \$ 3,000	\$170	\$214	\$272	\$342	\$448	\$662	\$673
\$ 3,001 - \$ 3,500	\$195	\$258	\$314	\$400	\$539	\$773	\$789
\$ 3,501 - \$ 4,000	\$219	\$293	\$356	\$458	\$617	\$884	\$903
\$ 4,001 - \$ 4,500	\$245	\$328	\$397	\$500	\$714	\$984	\$1,015
\$ 4,501 - \$ 5,000	\$270	\$375	\$440	\$550	\$799	\$1,090	\$1,129
\$ 5,001 - \$ 5,500	\$311	\$413	\$483	\$649	\$850	\$1,221	\$1,269
\$ 5,501 - \$ 6,000	\$333	\$461	\$541	\$708	\$929	\$1,136	\$1,272
\$ 6,001 - \$ 6,500	\$362	\$500	\$598	\$791	\$1,001	\$1,242	\$1,391
\$ 6,501 - \$ 7,000	\$394	\$554	\$633	\$852	\$1,083	\$1,348	\$1,510
\$ 7,001 - \$ 8,000	\$451	\$613	\$721	\$945	\$1,201	\$1,491	\$1,671
\$ 8,001 - \$ 9,000	\$521	\$714	\$814	\$1,067	\$1,358	\$1,890	\$1,893
\$ 9,001 - \$10,000	\$600	\$795	\$907	\$1,190	\$1,512	\$1,884	\$2,109
\$10,001 - \$11,000	\$675	\$910	\$1,049	\$1,375	\$1,747	\$2,174	\$2,435
\$11,001 - \$12,000	\$750	\$1,012	\$1,164	\$1,526	\$1,940	\$2,414	\$2,704
\$12,001 - \$13,000	\$824	\$1,112	\$1,280	\$1,678	\$2,133	\$2,655	\$2,973
\$13,001 - \$14,000	\$899	\$1,213	\$1,396	\$1,830	\$2,326	\$2,894	\$3,242
\$14,001 - \$15,000	\$973	\$1,313	\$1,512	\$1,982	\$2,519	\$3,134	\$3,511
\$15,001 - \$16,000	\$1,051	\$1,432	\$1,695	\$2,204	\$2,827	\$3,652	\$4,204
\$16,001 - \$17,000	\$1,118	\$1,524	\$1,772	\$2,346	\$3,010	\$3,887	\$4,475
\$17,001 - \$18,000	\$1,186	\$1,616	\$1,880	\$2,488	\$3,192	\$4,123	\$4,746
\$18,001 - \$19,000	\$1,254	\$1,709	\$1,987	\$2,630	\$3,375	\$4,359	\$5,017
\$19,001 - \$20,000	\$1,322	\$1,801	\$2,094	\$2,772	\$3,557	\$4,594	\$5,288
\$20,001 - \$21,000	\$1,389	\$1,893	\$2,202	\$2,914	\$3,740	\$4,830	\$5,560
\$21,001 - \$22,000	\$1,457	\$1,986	\$2,309	\$3,056	\$3,922	\$5,065	\$5,831
\$22,001 - \$23,000	\$1,525	\$2,078	\$2,417	\$3,199	\$4,104	\$5,301	\$6,102
\$23,001 - \$24,000	\$1,593	\$2,171	\$2,524	\$3,341	\$4,287	\$5,536	\$6,373
\$24,001 - \$25,000	\$1,661	\$2,263	\$2,631	\$3,483	\$4,469	\$5,772	\$6,644
\$25,001 - \$26,000	\$1,728	\$2,355	\$2,739	\$3,625	\$4,652	\$6,008	\$6,916
\$26,001 - \$27,000	\$1,796	\$2,448	\$2,846	\$3,767	\$4,834	\$6,243	\$7,187
\$27,001 - \$28,000	\$1,864	\$2,540	\$2,954	\$3,909	\$5,016	\$6,479	\$7,458
\$28,001 - \$29,000	\$1,932	\$2,632	\$3,061	\$4,052	\$5,199	\$6,714	\$7,729
\$29,001 - \$30,000	\$1,999	\$2,725	\$3,168	\$4,194	\$5,381	\$6,950	\$8,000
\$30,001 - \$31,000	\$2,067	\$2,817	\$3,276	\$4,336	\$5,564	\$7,186	\$8,272
\$31,001 - \$32,000	\$2,135	\$2,909	\$3,383	\$4,478	\$5,746	\$7,421	\$8,543
\$32,001 - \$33,000	\$2,203	\$3,002	\$3,491	\$4,620	\$5,928	\$7,657	\$8,814
\$33,001 - \$34,000	\$2,270	\$3,094	\$3,598	\$4,762	\$6,111	\$7,892	\$9,085
\$34,001 - \$35,000	\$2,338	\$3,187	\$3,705	\$4,904	\$6,293	\$8,128	\$9,356
\$35,001 - \$36,000	\$2,406	\$3,279	\$3,813	\$5,047	\$6,476	\$8,364	\$9,628
\$36,001 - \$37,000	\$2,474	\$3,371	\$3,920	\$5,189	\$6,658	\$8,599	\$9,899
\$37,001 - \$38,000	\$2,542	\$3,464	\$4,028	\$5,331	\$6,840	\$8,835	\$10,170
\$38,001 - \$39,000	\$2,609	\$3,556	\$4,135	\$5,473	\$7,023	\$9,070	\$10,441
\$39,001 - \$40,000	\$2,677	\$3,648	\$4,243	\$5,615	\$7,205	\$9,306	\$10,712
\$40,001 - \$41,000	\$2,745	\$3,741	\$4,350	\$5,757	\$7,388	\$9,542	\$10,984
\$41,001 - \$42,000	\$2,813	\$3,833	\$4,457	\$5,900	\$7,570	\$9,777	\$11,255
\$42,001 - \$43,000	\$2,880	\$3,925	\$4,565	\$6,042	\$7,753	\$10,013	\$11,526
\$43,001 - \$44,000	\$2,948	\$4,018	\$4,672	\$6,184	\$7,935	\$10,248	\$11,797
\$44,001 - \$45,000	\$3,016	\$4,110	\$4,780	\$6,326	\$8,117	\$10,484	\$12,068
\$45,001 - \$46,000	\$3,084	\$4,203	\$4,887	\$6,468	\$8,300	\$10,719	\$12,339
\$46,001 - \$47,000	\$3,152	\$4,296	\$4,994	\$6,610	\$8,482	\$10,955	\$12,611
\$47,001 - \$48,000	\$3,219	\$4,387	\$5,102	\$6,753	\$8,665	\$11,191	\$12,882
\$48,001 - \$49,000	\$3,287	\$4,480	\$5,209	\$6,895	\$8,847	\$11,426	\$13,153
\$49,001 - \$50,000	\$3,355	\$4,572	\$5,317	\$7,037	\$9,029	\$11,662	\$13,424
\$50,001 - \$51,000	\$3,424	\$4,666	\$5,424	\$7,181	\$9,211	\$11,898	\$13,696
\$51,001 - \$52,000	\$3,492	\$4,759	\$5,531	\$7,323	\$9,394	\$12,134	\$13,967
\$52,001 - \$53,000	\$3,560	\$4,851	\$5,639	\$7,466	\$9,576	\$12,369	\$14,238
\$53,001 - \$54,000	\$3,627	\$4,943	\$5,746	\$7,608	\$9,759	\$12,605	\$14,509
\$54,001 - \$55,000	\$3,695	\$5,036	\$5,853	\$7,750	\$9,941	\$12,840	\$14,781
\$55,001 - \$56,000	\$3,763	\$5,128	\$5,961	\$7,892	\$10,123	\$13,076	\$15,052
\$56,001 - \$57,000	\$3,831	\$5,221	\$6,068	\$8,034	\$10,306	\$13,312	\$15,323
\$57,001 - \$58,000	\$3,899	\$5,313	\$6,176	\$8,177	\$10,488	\$13,547	\$15,594
\$58,001 - \$59,000	\$3,966	\$5,406	\$6,283	\$8,319	\$10,671	\$13,783	\$15,865
\$59,001 - \$60,000	\$4,034	\$5,498	\$6,390	\$8,461	\$10,853	\$14,018	\$16,137
\$60,001 - \$61,000	\$4,102	\$5,590	\$6,498	\$8,603	\$11,035	\$14,254	\$16,408

# Rating plan structures and rating variables

- Rating plan structures typically depend on the coverage option
  - Pricing for stand-alone coverage is usually based on the limit of coverage and/or age
    - For stand-alone baggage and trip delay, pricing typically depends only on the limit of coverage purchased
    - Medical coverage pricing is often based on both limit of coverage and age of traveler
  - Car rental pricing is typically stated on a per-day basis, but is sometimes stated on a per-rental basis
- The sophistication of the rating structure is sometimes dictated by the marketing approach
  - In some cases, insurers have begun taking very sophisticated approaches based on predictive modeling, similar to what has been done in lines of business such as personal auto and homeowners
  - For products sold on a provider's website or through travel agents/providers, more sophisticated approaches can often be taken
    - Pricing for coverage sold to tour operators covering larger groups sometimes includes experience and schedule rating adjustments
  - However, in some cases, relatively simple approaches are taken for ease of administration
    - For example, the pricing for products offered on some travel sites such as Orbitz.com is stated as a percentage of the trip cost, with no variation in pricing by age of traveler

# Pricing approaches and considerations

- As with many other lines of business, the larger traveler insurance providers have invested significant time and effort building robust databases and using more sophisticated analysis techniques
- The simpler pricing structures based on trip cost/limit of coverage, traveler age and (sometimes) destination have been replaced with much more complex structures that consider many more variables, such as:
  - Trip length
  - Departure month
  - Number of days between purchase of coverage and trip departure
  - Destination
  - State of residence
- Pricing for tour operators, cruise lines, etc., may consider additional variables, for example:
  - Number of insureds in booking
  - Percentage of travelers buying insurance
  - Travel to remote or dangerous locations
  - Travel to locations without appropriate medical facilities
  - Factor to account for cancellation policy
  - Number of destinations
  - Type of travel (e.g., air/land, cruise)

# Pricing approaches and considerations

- Important to consider policy terms and conditions as covered perils and covered expenses vary between programs and may even vary between coverage options within the same program
- Expense considerations
  - Commission expense should reflect the marketing channels used for the program
  - Expense loads should reflect the expenses of the third party administrator used for the program

## Data sources

- Program pricing development may consider data from many different sources
  - Historical underwriting experience for the program
  - Experience from other travel programs underwritten by the company
  - Exposure information from potential marketing partners
  - Travel insurance filings from competitors
  - Information from travel industry trade associations
  - Bureau of Transportation Statistics ([www.bts.gov](http://www.bts.gov))
  - National Safety Council (Injury Facts book and [www.nsc.org](http://www.nsc.org))
  - Federal Aviation Administration ([www.faa.gov](http://www.faa.gov))
  - National Transportation Safety Board ([www.nts.gov](http://www.nts.gov))
  - National Center for Health Statistics ([www.cdc.gov/nchs](http://www.cdc.gov/nchs))
  - National Highway Traffic Safety Administration ([www.nhtsa.gov](http://www.nhtsa.gov))

# Travel Program Filings





## Travel program filings

- Travel program pricing and policy forms change infrequently
  - Common for programs to only change every three to five years
- Travel programs are generally filed under the Inland Marine line of business
  - Since travel programs include a mix of property/casualty (“P&C”) and accident/health coverages (“A&H”), some states require P&C and A&H coverages be filed separately
    - P&C coverages include trip cancellation/interruption, trip delay and baggage
    - A&H coverages include emergency medical expense, emergency evacuation and accidental death and dismemberment
- Travel programs are filed as group or individual policies, depending on state regulations and provider preferences

# Questions?

