INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

Non-Life Insurance

Travel Insurance

Presentation

Travel Insurance

Travel insurance is a type of insurance that covers the costs and losses associated with traveling.

Many companies selling tickets or travel packages, give consumers the option to purchase travel insurance, also known as travelers insurance.
Some travel policies cover damage to personal property, rented equipment, such as rental cars, or even the cost of paying a ransom.

It is frequently sold as a package called Travel Protection Plan.

Coverage often includes 24/7 emergency services, such as replacing lost passports, cash wire assistance, and re-booking canceled flights.

Coverages

Common coverages that may be included in these packages are:

- **Trip Cancellation:** Reimbursement of costs previously paid, and not otherwise refunded, for a trip canceled prior to departure.

- **Trip Interruption:** Reimbursement of additional costs, or of unused prepaid costs (e.g., excursions, hotel, etc.), incurred due to returning from a trip earlier than expected.

- **Travel Delay**: Reimbursement of costs incurred because travel did not occur at the time expected.

- **Baggage Damage or Loss:** Payments to replace personal items damaged or lost while on a trip.

- **Baggage Delay:** Reimbursement of additional costs incurred to replace personal items that did not arrive at the intended destination when expected.

Coverages

- **Emergency Medical or Dental:** Reimbursement of unexpected medical costs incurred due to injury or illness while traveling.

- **Emergency Evacuation:** Providing specialized transportation (e.g., air ambulance), typically in response to a medical emergency or severe medical need.

- **Repatriation of Remains:** Providing transport for an insured who dies during travel from the travel destination to a family-designated funeral home.

- **Rental Car Collision Damage:** Reimbursement of amounts paid to a rental car agency due to damage to, or loss of, a rental car.

Product Attributes

Majority of travel insurance purchases are for a specific trip (“per-trip” policies).
Its attributes are :

- Policy period can range from one day to multiple years.
- 100% new business – renewals are not applicable. For each trip the travel insurance customer will have to take a new policy.
    - Impact of this feature
        - No opportunity for renewal discounts for consumers
        - More heterogeneity of data used in actuarial analyses
        - Relatively low consumer loyalty to specific travel insurers.
- Take all-comers

Underwriting

Underwriting factors include :

- Age
- Trip cost
- Trip length
- Destination
- Departure window - The amount of time between the date travel is booked and the date insureds depart on their trip
- Departure Month
- Number of destinations

Insurers may not receive the information necessary to segment risks by risk classification. As a result, travel insurance rating manuals must be flexible enough to allow for averaging across multiple risk characteristics or to allow the use of a default rating factor when information for a particular risk classification is not available.

Types of travel Insurance policies

- Trip Cancellation and interruption
- Medical – many health plans do not cover illness during international travel
- Medical Evaluation –helpful when travelling to a remote area or area that lacks adequate medical facilities . Emergency transportation to a hospital is arranged.
- Lost checked luggage – protects financially in case of lost of luggage
- Flight Cancellation – expenses that arise when a flight is cancelled unexpectedly

What’s not covered

- Warfare
- Pre-existing ailments
- Sporting injury during travel
- Pregnancy
- When the tour operator cancels trip

Claim Settlement

In case you are admitted to a hospital , you can follow these steps,

After hospitalization , the insured or someone on behalf of insured can call the insurance service provider.

A valid insurance certificate number , name of hospital , its proper address and telephone number and the name of treating doctor has to be provided. If possible , the total amount of medical expenses incurred and necessary information should be divulged to the insurance provider.

Then, the insurance provider will extended a guarantee of payment to the hospital. After that , the expenses covered by the policy will be settled directly with the hospital.

Claim Settlement

In case of loss of baggage, you need to collect :

The claim form
Copies of boarding pass / baggage tags, tickets
PIR report(obtained from airline authorities)
Copy of correspondence with airline authorities
Details of compensation received from airlines

After you inform the airline about the loss and file a complaint about the same , obtain a claim form, attach necessary documents and send that to the insurance provider.

Actuarial Perspective

Travel Insurance does not have usual reporting requirements.

Exposure will vary among coverages on a travel insurance policy,

Premium data can be organized and analyzed on an insurance purchase date, departure date, or other basis depending on the goals of the analysis.

An actuary may vary the organization of premium data based on the coverages being analyzed. For example, premium data for emergency medical coverage may be organized by departure date to coincide with the beginning of the exposure period. Similarly, an actuary might organize premium data for trip cancellation by insurance purchase date because this is the beginning of the exposure period.

Actuarial Perspective

In analyzing loss data, particularly for calculating loss ratios, is an accurate matching of earned premium and incurred losses.

•Greater risk of adverse selection—increased risk that consumers who are more likely to experience a compensable loss are more likely to purchase the insurance.

•Relatively low premium

•The claims tail is short, which means that there is little to no investment income available

•Need for a higher underwriting profit

Thank You