

Travel Insurance Trends for 2009

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Travel insurance has dramatically grown in the last 10 years, especially after 9/11 when the market tripled from 11 percent of travelers buying insurance to more than 30 percent, according to the United States Travel Insurance Association. Although travel insurance has been available in the United States since the 1950s, it has undergone many transformations, and several trends are developing for 2009. Here are a few of them:

Continued Vendor Instability: In the first nine months of 2008, 26 airlines collapsed, which is more than double the number of airlines that went out of business in 2007. Several tour operators and cruise lines went out of business in 2008 as well. As financial lending continues to tighten, vendors will have less financial cushion and additional airlines, tour operators and cruise lines could falter in 2009. Travelers may be stranded on their way to their vacation or in the middle and will need to make alternate and perhaps last-minute arrangements that can be very costly. Insurance offered by airlines, tour operators and cruise lines can be limited and will not protect travelers should the vendor default. For roughly the same price insurance offered through a travel insurance company will protect travelers from the time they leave home until they return, and include offshore excursions and medical expenses on or off a cruise ship.

Greater Need for Protection: With uncertainties such as work terminations, terrorism and weather, travel investments need to be protected. As uncertainty for the future grows, many travelers continue to plan their summer vacations but opt for "cancel for any reason" upgrades for the greatest level of protection. Highly customizable insurance plans also provide travelers with more protection by tailoring coverage for most types of trips from business to family to adventure vacations.

Protecting Last-Minute Travelers: Consumers in 2009 will be looking for value, so travel purchases may get closer to departure dates as travelers monitor their budgets and hunt for last-minute discounts. With short lead times, travelers may not need trip cancellation coverage. However, most medical insurance, such as Medicare, will not cover travelers while overseas, and even discounted domestic trips can turn quite costly if a traveler needs medical treatment outside of his or her insurance network. Purchasing most travel insurance plans with a \$0 trip cost will provide the medical, delay and baggage benefits needed to protect the value of these trips.

Mixing Business and Pleasure Trips: Business travel is expected to grow in 2009, according to the National Business Travel Association, but much slower than in years past. It's estimated that about 20 to 30 percent of those business travelers will mix business with pleasure by adding a personal component before or after the business portion. The business traveler may be covered by his or her company, but oftentimes lost, stolen or damaged golf clubs or personal electronic devices are not covered -- nor are any traveling companions. Business travelers should be made aware of these issues so that both traveling companions and personal belongings have appropriate coverage.

Protecting Luxury Travel: Many predict that it will be business as usual for luxury travelers in 2009 because such travelers are not as sensitive to the economic downturn. Since luxury trips can be longer, go to more exotic places and come with a higher price tag, these trips need appropriate insurance. Policies should have at least \$100,000 in emergency medical coverage and \$1 million for evacuation.

Increased Litigation Potential: When there is an economic downturn, litigation increases, according to CIO magazine's survey of 360 in-house counsel members. Travelers surprised by an unexpected event may expect the issuing travel agent to cover any losses. Therefore, travel insurance protects both the traveler and the travel agent. Those clients that choose not to purchase travel insurance should sign an insurance waiver form to shield the travel agent from future litigation. Many agents and agencies now automatically include travel insurance on the invoice as part of the standard travel services that they review with the traveler. This protects agents from litigation and helps grow their bottom line.

The coming year may be a bumpy ride, but adapting to the changes and partnering with strong insurance companies will make the ride to be less jarring for everyone.

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