

News Release

SHOULD TRAVEL INSURANCE FOR THE OLDER GENERATION COST MORE?

Steve Hook, Director of Corporate and Travel at Mondial UK, voices an alternative view on the misconceptions surrounding access to cover for the over 65's

It's a fact - the over 50's are the new globetrotters of the twentieth century. In addition to annual summer beach holidays and cultural city breaks, research shows that as many as 775,000 over 50's have taken an extended holiday abroad of six months or more, many preferring adventure holidays rather than relaxing in the sun.¹ With the over 50's rapidly overtaking the student gap year generation in their passion for travel, it seems there has never been a better time than retirement to see all the places and do all those things that previously were just pipe dreams.

But the issue of provision of travel insurance for the over 65's never seems to be far below the surface. And with charities and consumer organisations all beating the drum for premiums to fall for the over 65's and accusations rife about 'premium loading' in the travel insurance industry, why is it that travel insurers don't appear to be taking note if it is such a key growth area?

One point to make is that the travel insurance industry has long been subjected to criticism that it charges higher premiums for older people because they pose more of a risk as an insured party than people less than 65 years of age – a criticism which is unfair. Insurance premiums for property or motor products are rated on the potential risk of the insured; it is fair to ask why travel insurance should be handled any differently. Underwriting the older generation carries a greater cost burden given that they are undeniably more likely to fall ill or suffer injury following an accident whilst travelling abroad– this is a simple fact of life.

However, perhaps a less documented issue surrounding the perceived high cost of travel insurance for the older generation is the effect of competition. Travel insurance has now become a mass commodity product in a highly competitive market and because of this,

¹ RIAS Survey, The Times, 3/6

underwriting margins have become increasingly squeezed. Distributors continue to drive down the price of travel insurance to the end consumer without reducing their commission levels, whilst insurers still aim to achieve a minimum return on capital and carry the burden of the risk at the same time.

In this respect the travel insurance industry is facing one of its biggest dilemmas yet. The only way things will change is for risk premiums to be distributed over the entire market - including the over 65's. Generally it is the distributors who decide who the target customer market is, not insurers. As a result, the older generation now feels excluded as it becomes increasingly segregated and disadvantaged and finds it increasingly difficult to find cover at the low prices it sees regularly advertised.

In my opinion, it is unlikely that the situation will alter until the existing marketplace becomes so over saturated that distributors have to look for new untapped areas of potential which will lead them back to the customers they marginalised in the first place. At this point, they will either have to accept the premium terms offered by insurers to accept these higher risk customers or decide to spread the cost of the increased premiums over their entire customer base as a whole.

Calls for the travel insurance industry to act and educate the consumer are naïve to the fact that it is the distributors who control the marketing message and ultimately this is price driven. You only have to look at the major travel insurers today to realise that they do not rely on direct sales to achieve the critical volumes in terms of premium that they need.

Insurers have no alternative but to age rate insurance based on the frequency and cost of claims that they incur today. Given the choice, I believe that insurers would prefer to offer non age banded underwriting terms because it will allow greater access to premiums for all age groups but given that the market price of insurance to the end consumer has been driven down to its current level by the major distributors, it is unlikely that matters will change in the immediate future.

Insurers can only provide the level of service and indemnity needed if they are capable of covering their costs. The UK travel insurance market was estimated to be worth more than £650 million overall in 2006 and is growing rapidly*. Unless consumers accept the price of their policy is based on the likely risk to the insurer, they will continue to decide to travel abroad uninsured, exposing themselves to even greater costs.

**Steve Hook is available to provide further commentary on the issues highlighted.
Please contact Lauren Helm or Claire Foster at HSL on 020 8977 9132.**

-ENDS-

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Note to Editors

Mondial UK is a leading provider of customer support services to the motor and travel industries, insurance companies and other blue chip organisations. As a member of the global Mondial Assistance Group, Mondial UK provides services to customers 24 hours a day, wherever they are all over the world.

The Mondial Assistance Group, part of the world's largest insurance company Allianz of Germany, provides customer care contact to over 200 million individuals world-wide. Many of the world's leading organisations benefit from Mondial Group services each year, ranging from Motor Assistance, Customer Information and Care Contact, Marketing Programmes, Fulfilment, Breakdown and Accident Management, Warranty Services, Travel Insurance and Assistance, Property Assistance and Advice Lines.

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