

THE TRAVEL INSURANCE INDUSTRY RESPONDS TO THE BURDEN OF PRE-TRAVEL DECISION-MAKING AS IT GOES TO A NEW LEVEL AFTER COVID

By Damien Arthur, Executive Head of Travel at Allianz Partners

Travel and decision-making have always gone hand in hand, but the post-COVID travel environment has taken this partnership to a whole new level.

Tucked away in our suitcases when we travel is now a heavier burden that something will go wrong. And then, decision fatigue around what will we do if that happens. Will we get sick? Will our luggage get lost? Will our flight get cancelled? Will we need extra accommodation? And much more. These concerns have led to major changes in how we buy travel insurance and what the industry offers.

Insurance is no longer seen as just a safety net – it is more likely to be used

In the past, insurance was considered by many to be a safety net that deep down was not really expected to be needed – it is now a necessity many think they are more likely to use, and they want to make sure it covers all their needs.

Consumers have a real sense that something unexpected could happen on their holiday and they want to understand the minute detail of their insurance policy to ensure they are ready for it. They also know the landscape changes quickly so are constantly looking for the latest information.

We have seen a major change in behaviour from customers resulting in a large increase in calls to our contact centres asking detailed questions. Travellers are showing a very high level of engagement in the purchase that wasn't there pre-COVID.

While Allianz travel insurance customers are researching over the phone more, they are increasingly making the final purchase online – Allianz has experienced a 15 per cent increase in online purchases post COVID, so it remains important that online systems are efficient and effective to meet the demand.

Increase in travel investment

When consumers decide to go on a holiday, they also need to plan their budget and choose how much to set aside. Travel is more expensive now than it was pre-COVID, and that means it's a bigger investment for many travellers – and an investment they naturally want to protect.

In periods when flights were significantly more expensive than usual, (recently experienced by many Australian travellers around late June and early July), we saw scenarios where flights were cancelled and travellers were faced with two equally stressful options: paying double for a new flight home or remaining stranded overseas for another week until their



original flight was rescheduled. Both options presented major financial implications for unprepared travellers.

This has so far been a unique circumstance, however, it brought the experience and flexibility of our claims and assistance teams to the fore. And this flexibility and problem-solving may be a sign of things to come as the insurance industry navigates its way out of the pandemic.

Increase in Work From Anywhere (WFA)

The insurance industry must also now consider the trend for customers to stay overseas longer. This trend may be a result of employers extending their Work From Home (WFH) policies to Work From Anywhere (WFA), fuelling the generation who choose to be digital nomads, or simply extended family reunions after years of closed borders.

The flexibility around work locations now means insurers need to adapt by offering flexible policies, greater protection and more lifestyle coverage and as always, their products need to be simple and easy to understand.

They say change is as good as a holiday... and we can certainly see the benefits of these new ways of travel in the insurance industry. While it wasn't a pathway to change that we would wish on anyone, the impact of COVID will see our industry become more diverse, more flexible, and more technologically efficient. All for the benefit of the customer.

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