

Flyer Beware

Is Travel Insurance Worth It?



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Prepared by the Office of Senator Edward J. Markey (D-Mass.)

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Flyer Beware:

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Executive Summary

Travelers who purchase airline tickets online face heavy pressure from airlines and online travel agencies (OTAs) to make an additional purchase: a travel insurance policy to protect against unexpected events that can affect a trip. Unlike most add-ons, such as early boarding or extra legroom, which online customers can typically ignore, most airline and travel websites require customers either to purchase or proactively decline this travel insurance before they can book their flights. The airlines and OTAs aggressively market these insurance policies as providing total trip protection, but travelers who purchase these insurance policies through airline or OTA websites may get much less coverage — and security — than they are led to believe.

An investigation by the office of Senator Edward J. Markey (D-Mass.) uncovered that almost every major airline and popular OTA is engaged in questionable travel insurance marketing practices for policies that offer minimal coverage and often erect hurdles to the payment of claims. The investigation into nine major airlines and seven frequently visited OTAs found that:

- **The airline and OTA online-ticketing process encourages and pressures travelers to buy travel insurance.**
 - **15 of the 16 companies evaluated do not allow travelers to buy their airplane tickets online without purchasing or declining to purchase the recommended travel insurance.**
- **The airline and OTA websites offer only bare-bones travel insurance plans with little coverage and a long list of exclusions that all too frequently leave consumers stranded.**
- **The airline and OTA websites commonly overstate the policies' flexibility and bury in the fine print the details of coverage limitations.**
- **Only two travel insurance companies provide the vast majority (87 percent) of the policies offered on airline and OTA websites.**

These insurance policies claim to give travelers the flexibility to change or cancel a flight as needed, options that used to be included in the cost of every airplane ticket. However, many airlines no longer allow passengers to alter their itineraries unless they purchase higher priced tickets or pay fees that can cost hundreds of dollars. In fact, with many economy fares, travelers who need to change or cancel their flights find that they face fees that exceed the cost of their tickets.

Having created this problem, the airlines have manufactured a seemingly inexpensive solution in the form of travel insurance. But the policies to which consumers are pushed are often riddled with exclusions and limitations that can render them useless. Consumers could be better served by searching non-affiliated, third-party travel insurance comparison websites that sell similarly priced policies with more comprehensive coverage than what is typically offered directly by airlines and OTAs.

Unsurprisingly, the sale of these policies has become a profit center for the airlines, OTAs, and insurance companies. According to the most recently available public data, travelers spent \$2.8 billion on travel protection in 2016, two-and-a-half times more than they spent in 2004. And it should come as no surprise that the airlines and OTAs earn an undisclosed fee on every policy sold to a traveler, providing incentive to continue the policies' aggressive marketing.

As air travelers make plans for vacations or business trips, they should think twice before reflexively purchasing the limited insurance policies that airlines and OTAs offer. Vigilant consumers will want to identify the travel-related risks against which they want to be insured, such as a family emergency that requires them to cancel or change their flights; lost or delayed baggage; or the cost of health care if they get sick while traveling.

They will want to read the fine print of the policy's terms and conditions before making a purchase. Savvy travelers may also want to contact the insurance provider before purchasing a policy to discuss coverage scenarios, and learn where exactly in the written policy the coverage they seek is provided.

Airlines and OTAs should be more transparent in the sale of these policies. The airline and OTA websites should not require a visitor seeking to purchase an airline ticket to affirmatively decline buying a travel insurance policy. The terms and conditions of the policies the airlines and OTAs sell online should be readily accessible and presented in clear and easy-to-understand terms.

Better yet, the airlines and OTAs should return to ticket pricing and marketing practices that allow consumers to cancel or change a flight without incurring an excessive fee. The Forbidding Airlines from Imposing Ridiculous (FAIR) Fees Act, introduced by Senator Markey and Senator Richard Blumenthal (D-Conn.), would prohibit airlines from imposing fees, including cancellation, change, and bag fees, that are not reasonable and proportional to the costs of the services provided.





1) Introduction

With the advent of electronic ticketing and in today's increasingly internet-based marketplace, nearly all customers buy their airplane tickets online. According to information provided by Airlines for America, in 2017, 82 percent of flyers bought their tickets either directly from airline or online travel agency (OTA) websites.¹ These websites put customers through an array of decisions about fare options and ancillary fees. For nearly every airline and OTA, the final product presented before checkout is a strongly recommended travel insurance policy. The websites let customers ignore or scroll past most add-on options such as extra leg room or early boarding, but for travel insurance, customers must choose to purchase or decline this coverage before finalizing their transaction.

¹ Airlines for America – 2018 Annual Air Travel Survey at 9, Ipsos (Jan. 2018), <https://www.ipsos.com/sites/default/files/ct/news/documents/2018-02/a4a-2018-air-travel-survey-topline-02-20-2018.pdf>.



2) Methodology

From March through May 2018, the office of Senator Edward J. Markey (D-Mass.) conducted an open data investigation to identify the kinds of travel insurance that airlines and OTAs are offering, how the insurance is advertised, and the extent of the coverage provided. The investigation collected and evaluated detailed information on the travel insurance marketing and sales practices of nine major airlines that fly both domestically and internationally (Alaska,

American, Delta, Frontier, JetBlue, Southwest, Spirit, Sun Country, and United) and seven frequently visited OTAs (CheapOair, Cheaptickets, Expedia, Hotwire, Orbitz, Priceline, and Travelocity),² including whether travel insurance was offered, how it was offered, its cost, and the coverage provided.

² Domestic travel insurance information was collected by going through the ticket-purchasing process for a flight from Boston to Las Vegas. International travel insurance information was collected by going through the ticket-purchasing process for a flight from Boston to London.

3) Findings

Airlines and Online Travel Agencies Aggressively Push Travel Insurance on Customers

There appears to be a near industry-wide effort by airlines and online travel agencies to aggressively market travel insurance. Our investigation found that 15 of the 16 airlines and OTAs require travelers who purchase airline tickets either to purchase or decline to purchase the recommended travel insurance (see Table 1). All seven OTAs and eight of the nine major airlines offer travel insurance; Southwest does not.

Notably, American Airlines is a defendant in an ongoing class action in federal court in Miami alleging that the company engaged in deceptive travel insurance marketing practices.³ Southwest does not charge customers additional fees for changing travel plans,⁴ so presumably travelers on this airline would have less need for travel insurance. Of the 15 companies that sell travel insurance on their websites, 13 contract the sale of policies through just two insurance providers, AIG Travel Guard and Allianz Global Assistance.

The airline and OTA websites' online ticket-purchasing process pushes travelers to buy travel insurance. For example, in order to decline the travel insurance offering, customers usually must proactively click a box that includes a stern warning, such as the one from Cheaptickets.com (Figure 1), which states:

"No, I'm willing to risk my [full ticket price] flight." To make the purchase even more difficult to proactively decline, some websites highlight the "yes, I want to purchase travel insurance" option in a bright green box with bold type, while the "no" option is in a less visibly prominent gray box (see Figure 1). Customers are not able to complete their ticket purchase without proactively accepting or declining the insurance offering.

³ Zamber v. American Airlines, Inc., Case. No. 1:16-cv-23901-JEM (S.D. Fla.).

⁴ Southwest, No Change Fees, https://www.southwest.com/html/generated/help/faqs/no_change_fee_faq.html (last visited May 14, 2018).

⁵ All screenshots were retrieved on May 15, 2018 and again on August 7, 2018.

TABLE 1

Website	Airline or OTA	Travel Insurance Offered	Insurance Provider
Alaska	Airline	Yes	Allianz Global Assistance
American	Airline	Yes	Allianz Global Assistance
Delta	Airline	Yes	Allianz Global Assistance
Frontier	Airline	Yes	AIG Travel Guard
JetBlue	Airline	Yes	Allianz Global Assistance
Southwest	Airline	No	NONE
Spirit	Airline	Yes	AIG Travel Guard
Sun County	Airline	Yes	Trip Mate
United	Airline	Yes	AIG Travel Guard
CheapOair	OTA	Yes	Trip Mate
Cheaptickets	OTA	Yes	AIG Travel Guard
Expedia	OTA	Yes	AIG Travel Guard
Hotwire	OTA	Yes	AIG Travel Guard
Orbitz	OTA	Yes	AIG Travel Guard
Priceline	OTA	Yes	Allianz Global Assistance
Travelocity	OTA	Yes	AIG Travel Guard

FIGURE 1⁵

Protect your flight Recommended

⊘ Avoid change fees. Protect your trip.

3 reasons you might need travel protection: [↗](#)

1. Your ticket is non-refundable and you're too sick to travel
2. You get injured and can't make your flight home
3. Your travelling companion has a covered medical emergency and can't travel

[View terms, conditions and plan sponsors](#) ↗

Select Yes or No to continue booking*

Yes, I want Cancellation Protection for my flight to Las Vegas. \$29

👤 6,775 customers protected their flight in the last 7 days

No, I'm willing to risk my \$809.16 flight.

Mary got \$468 back when she cancelled her flight to ... [Read more](#)

Offered Travel Insurance Fails to Deliver

Travel insurance can cover a wide range of eventualities. The most basic policies offer protection against trip cancellation or interruption for a covered reason, such as injury or illness. Travel insurance also can provide coverage for costs incurred on a trip, for example, missed or delayed flights; lost or delayed baggage; and emergency medical and dental care, including emergency medical transportation. More robust — and expensive — travel insurance policies offer “Cancel for Any Reason” coverage that gives travelers the greatest flexibility in canceling their plans if the unexpected happens.

Table 2 displays the cost of, and coverage provided by, the domestic and international travel insurance policies offered on the websites of the 16 airlines and OTAs investigated. Both cost and coverage vary widely, and the websites offer no option for customers to customize their policies. Frequently, the coverage offered is minimal. And despite seemingly reasonable maximum coverage limits, the list of exclusions and limitations to filing and receiving payment for a claim is extensive. A search of third-party travel insurance comparison websites such as Squaremouth.com or Insuremytrip.com shows the wide availability of similarly priced policies with more robust and flexible coverage.

TABLE 2: INSURANCE COVERAGE DATA

(Numbers reflect maximum coverage limits, but extensive exclusions and limitations apply)

Website	Domestic Travel Cost Calculation	International Travel Cost Calculation	Domestic Trip Cancellation / Interruption	International Trip Cancellation / Interruption	Emergency Medical and Dental*	Emergency Medical Transportation*
Alaska	6.0% of ticket cost	6.5% of ticket cost	(\$5,000/\$5,000)	(\$5,000/\$5,000)	(\$10,000)	(\$25,000)
American	6.5% of ticket cost	7.5% of ticket cost	(\$10,000/\$10,000)	(\$10,000/\$10,000)	(\$15,000)	(\$50,000)
Delta	6.8% of ticket cost	7.2% of ticket cost	(\$10,000/\$15,000)	(\$5,000/\$5,000)	(\$10,000)	(\$25,000)
Frontier	2.8% of ticket cost	5.5% of ticket cost	(\$400/\$400)	(\$100,000/\$125,000)	(\$10,000)	X
JetBlue	7.5% of ticket cost	7.3% of ticket cost	(\$10,000/\$10,000)	(\$3,000/\$4,500)	(\$10,000)	(\$50,000)
Spirit	6.0% of ticket cost	7.6% of ticket cost	(\$100,000/\$125,000)	(\$100,000/\$125,000)	(\$10,000)	(\$30,000)
Sun County	\$25 per person	7.8% of ticket cost	Ticket Cost	Ticket Cost	(\$25,000)	(\$50,000)
United	6.0% of ticket cost	7.0% of ticket cost	(\$100,000/\$125,000)	(\$100,000/\$125,000)	(\$10,000)	(\$20,000)
CheapOair	6.8% of ticket cost	7.3% of ticket cost	(\$100,000/\$100,000)	(\$100,000/\$100,000)	X	X
Cheaptickets	\$25 per person	\$61 per person	(\$100,000/\$100,000)	(\$100,000/\$125,000)	(\$10,000)	(\$20,000)
Expedia	\$25 per person	\$60 per person	(\$100,000/\$100,000)	(\$100,000/\$100,000)	(\$5,000)	X
Hotwire	\$25 per person	\$60 per person	(\$100,000/\$100,000)	(\$100,000/\$100,000)	(\$5,000)	X
Orbitz	\$26 per person	\$60 per person	(\$100,000/\$100,000)	(\$100,000/\$100,000)	(\$5,000)	(\$15,000)
Priceline	5.7% of ticket cost	6.5% of ticket cost	(\$25,000/\$25,000)	(\$25,000/\$25,000)	(\$10,000)	(\$25,000)
Travelocity	\$26 per person	6.5% of ticket cost	(\$100,000/\$100,000)	(\$100,000/\$100,000)	(\$5,000)	X

* Emergency Medical and Dental and Emergency Medical Transportation are only offered on international flights.

FIGURE 2

Protect your flight Recommended

⊘ Avoid change fees. Protect your trip.

Top 3 benefits of travel protection ^

Get up to:

1. 100% flight refund if you're sick and can't travel
2. \$1,000 for lost baggage, including laptop, phone or camera
3. \$15,000 for emergency medical transportation

[View terms, conditions and plan sponsors](#) ↗

Select Yes or No to continue booking*

Yes, I want to add the Total Protection Plan to my flight to London. **\$72**
per person

👤 3,732 customers protected their flight in the last 7 days

No, I'm willing to risk my \$2,240.12 flight.

Mary got \$468 back when she cancelled her flight to ... [Read more](#)

Unfortunately for travelers, the basic insurance plans offered by the airlines and OTAs often fail to provide the protection that is advertised. Indeed, many of the airline and OTA websites overstate the protection and flexibility the plans will provide. Multiple clicks are required to get to dense and confusing pages of policy terms and conditions, which typically disclose minimal coverage limits, extensive exclusions, and other limitations that will leave many travelers responsible for losses they would reasonably think are covered.

For example, five of the OTA websites (Cheaptickets, Expedia, Travelocity, Hotwire, and Orbitz) call their international insurance offering the "Total Protection Plan," when it in fact provides limited coverage. Figure 2 shows Cheaptickets.com's international travel insurance advertised as the "Total Protection Plan," but Figure 3 shows the policy's long list of exclusions that can lead to the denial of a traveler's claim. For example, the plan will not reimburse for "travel arrangements cancelled by an airline, Cruise line or tour operator," "changes in plans by the Insured, a Family Member, or Traveling Companion, for any reason," or "failure of any tour operator, Common Carrier, person or agency to provide the bargained-for travel arrangements."⁶ In other words, if an airline cancels a flight, if unforeseen circumstances require travelers to change plans, or if a tour operator at the destination shuts down unexpectedly, the travelers likely won't be covered and won't be reimbursed for their costs. This hardly qualifies as "Total Protection."

The following exclusions also apply to Trip Cancellation and Trip Interruption:

Unless otherwise provided by this plan benefits will not be provided for any loss resulting (in whole or in part) from:

- (a) travel arrangements canceled by an airline, Cruise line or tour operator, except as provided elsewhere in the plan;
- (b) changes in plans by the Insured, a Family Member, or Traveling Companion, for any reason;
- (c) financial circumstances of the Insured, a Family Member, or a Traveling Companion;
- (d) any business or contractual obligations of the Insured, a Family Member, or Traveling Companion, for any reason;
- (e) any government regulation or prohibition;
- (f) an event which occurs prior to the Insured's coverage effective date;
- (g) failure of any tour operator, Common Carrier, person or agency to provide the bargained-for travel arrangements or to refund money due the Insured.

FIGURE 3

Figure 4 features a screenshot of the travel insurance offering from United that states: "Plan includes[...] Lost baggage including laptops, phones and cameras." But the policy terms that the consumer must click through reveal that the policy reimburses up to only \$500 for the first bag lost,

⁶ To retrieve policy terms and conditions, customers on Cheaptickets.com must click an arrow to expand information about insurance benefits, then click "View terms, conditions and plan sponsors," which opens a new window where travelers must select their state. They are then brought to the Certificate of Insurance which provides the terms and conditions of the plan. https://webservices.travelguard.com/Product/FileRetrieval.aspx?CountryCode=US&StateCode=NW&ProductCode=009167&PlanCode=P1&FileType=PROD_PLAN_DOC

1. United Travel Options **FIGURE 4**

Cover your trip with Travel Guard® Insurance **+\$168.41** Total Premium

AIG Add Travel Guard insurance. Plan includes:

- Flight refund if you can't travel for covered illness
- Lost baggage including laptops, phones and cameras

Select an option:

Yes, insure my trip for only \$168.41
I have read and understand the [Policy of Insurance](#), and agree to the Terms and Conditions of the insurance coverage provided.

No, I don't want to purchase this travel insurance.

Coverage is offered by Travel Guard Group, Inc. and limitations will apply, [read full disclaimer and privacy policy](#).

BAGGAGE AND PERSONAL EFFECTS

The Company will reimburse the Insured, up to the Maximum Limit shown in the Schedule or Declarations Page subject to the special limitations shown below, for Loss, theft or damage to the Insured's Baggage, personal effects, passports, travel documents, credit cards and visas during the Insured's Trip.

Special Limitations:

The Company will reimburse the Insured up to:

- \$500 for the first item and thereafter
- \$250 per each additional item
- \$500 aggregate on all Losses to: jewelry, watches, furs, cameras and camera equipment, camcorders, computers, electronic devices, including but not limited to: lap top computers, cell phones, electronic organizers portable CD players and wireless handheld devices.

Items over \$150 must be accompanied by original receipts.

FIGURE 5

\$250 for each additional bag, and \$500 total for all lost “jewelry, watches, furs, cameras and camera equipment [...] and electronic devices,” as seen in Figure 5.⁷ Moreover, the insurer will not pay for any item more than \$150 without an “original receipt[.]” Those terms make it exceedingly difficult for an insured individual to be made whole for the loss of a suitcase and its contents, especially if they include a laptop, phone, or camera.

Often, the exclusions mean that the policy will not cover things any reasonable traveler would expect it to cover. For example, Alaska's travel insurance provides no coverage for cancelled or interrupted travel caused by any of the following:⁸

- Complications from a mental or nervous health disorder.
- Injuries arising from any amateur sports competition.
- A pandemic or epidemic.
- Nuclear reaction, radiation, or radioactive contamination.

What these exclusions mean is that, if, like the more than 16 million Americans who have suffered a major

⁷ https://webservices.travelguard.com/Product/FileRetrieval.aspx?CountryCode=US&StateCode=AL&ProductCode=009301&PlanCode=P1&FileType=PROD_PLAN_DOC

⁸ <https://partner.allianztravelinsurance.com/Certs/Default.aspx?Productid=001003868&state> (accessed through Alaskaair.com).

depressive episode,⁹ depression prevents your travel, you will not have coverage despite the purchase of this insurance policy. If your child is injured in a little league baseball game and cannot travel, you will not have coverage. If you postponed a trip due to the recent Zika virus scare in the Caribbean or flu virus in the United States, you will not have coverage. And if an event like the Fukushima nuclear power plant accident causes you to postpone an overseas trip to Japan, you will not have coverage.

Additionally, under the policy sold by JetBlue, a traveler can cancel a trip because of an illness only if, before cancelling, a physician examines the traveler, finds the condition disabling, and recommends against travel in writing (Figure 6).¹⁰ A traveler who cannot see a doctor before cancelling must be examined within 72 hours of cancellation, which often is logistically impossible. Language like this requiring an examination by a physician and a written recommendation against travel, in order to cancel, is commonplace in travel insurance policies.

FIGURE 6

Specific requirements:

- The **injury, illness or medical condition** must be disabling enough to make a reasonable person delay, cancel or interrupt their **trip**.
- A **doctor** must examine **you** or a **traveling companion** and advise **you** or a **traveling companion** to cancel or interrupt **your trip** before **you** cancel or interrupt it. If that isn't possible, a **doctor** must examine **you** within 72 hours of **your** cancellation or interruption.

Unfortunately, a simple search of Better Business Bureau (BBB) complaints reveals countless stories of travelers who purchased these kinds of insurance policies and were denied coverage based on exclusions and limitations buried in the policies' fine print. For example, many of the BBB reviews for AIG Travel Guard Group insurance are from travelers who felt misled by the policy's promotion on the airline website through which they made their purchase. On March 13, 2018, a verified reviewer wrote¹¹:

⁹ <https://www.nimh.nih.gov/health/statistics/major-depression.shtml>

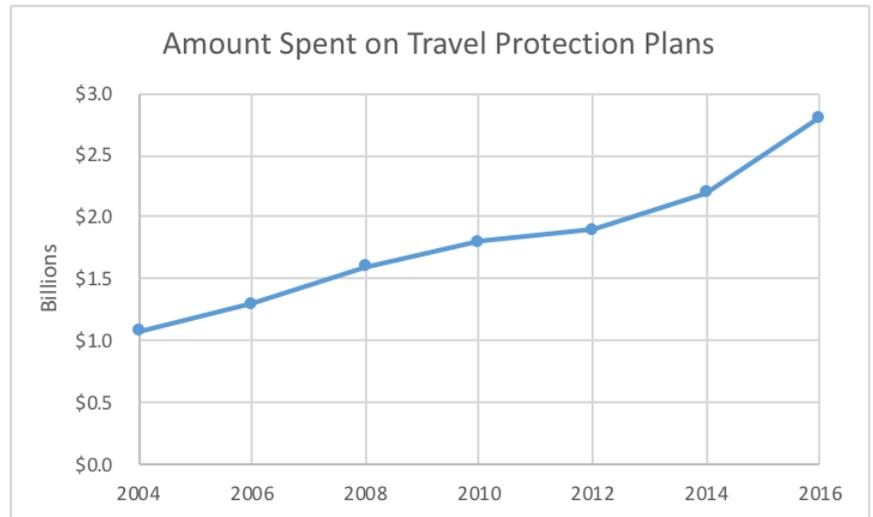
¹⁰ Although the written policy makes no mention of a requirement that the doctor provide the recommendation against travel in writing to the insurance company, a telephone call by Senator Markey's office staff to Allianz clarified that the physician must complete a form stating the diagnosis and the start date of illness, and advising against travel.

¹¹ Verified reviews are vetted and substantiated by BBB team members by confirming with both the reviewer and the business that the reviewer is a real person and a customer of the business, <https://www.bbb.org/customer-review-verification-process/>.

"While booking my flight with United, while choosing an option for trip protection the only option provided was Travel Guard and there were no policy details provided or mentioned. After booking the tickets and our travel plans changed when we called to cancel the ticket, [U]nited asked us to contact the travel insurance provider (Travel Guard) for refund details. The customer service is so vague and they then mention that the coverage is only limited to the conditions mentioned in the policy (which is never mentioned at the time of check out)".¹²

On October 9, 2017, another verified reviewer wrote:

"(Our vacation to Puerto Rico) was a pretty expensive trip planned and paid for months in advance so I made sure to purchase Spirit's travel insurance which is through AIG Travel Guard Insurance. It cost \$65.00 and would give me peace of mind, so I thought. Well this was before Hurricane Irma and then Maria came through and hit the islands hard. Puerto Rico made it through the first one but Maria made it a point not to leave anything standing. Pretty much no island left and definitely no resort left. I put in a claim with the travel insurance and submitted it. It took a couple of weeks for them to call and I received a call from the claims agent who told me that I did not have insurance for a named peril so they would not be reimbursing me. ... What better reason could there be than for your destination to have been devastated and your resort closed indefinitely to put a claim in. Nope they don't cover it!"¹³



The Industry is Exploiting Travel Insurance as an Easy Revenue Generator

The United States Travel Insurance Association (USTIA) conducts Travel Protection Market Studies every two years, and although the Association's full reports are available only to travel insurance providers and allied businesses, the executive summaries are released publicly. The numbers send a clear message: The travel insurance industry is booming. Travelers spent \$2.8 billion on travel protection in 2016.¹⁴ That is more than two-and-a-half times as much as they spent in 2004.

According to the most recent publicly available data, airlines and OTAs made up 25 percent of travel insurance sales volume in 2012.¹⁶ That means travelers spent \$475 million dollars on the travel insurance offered on airline and OTA websites that year. Figure 7 shows that the amount spent annually on travel insurance increased dramatically after 2012. By 2016, it reached \$2.8 billion. If the airlines' and OTAs' 25-percent share of those sales held firm, travelers would have spent \$700 million on the airlines and OTA offerings in 2016.

Unfortunately, there is little transparency on the denial or payment of claims made by travelers under their travel insurance policies. In 2006, USTIA released the results of a survey showing that 17 percent of people who bought travel

¹² Press Release, US Travel Insurance Association, American Spending More on Travel Insurance, http://www.ustia.org/uploads/2/4/8/8/24887869/ustia_2014-16_market_survey_release.pdf.
¹⁵ Publicly available US Travel Insurance Association market survey data was used to construct Figure 7.
¹⁶ Press Release, US Travel Insurance Association, More than 148 Million Covered by Travel Insurance, Sales Grow by Nearly 15%, <http://www.ustia.org/uploads/2/4/8/8/24887869/148-million-covered.pdf>.

¹² <https://www.bbb.org/us/wi/stevens-point/profile/travel-insurance/travel-guard-group-inc-0694-3000442/complaints>
¹³ *Id.*

TABLE 3

Website	Airline or OTA?	Insurance Provider	Domestic Insurance Cost Calculation	International Insurance Cost Calculation
Alaska	Airline	Allianz Global Assistance	6.0% of ticket cost	6.5% of ticket cost
American	Airline	Allianz Global Assistance	6.5% of ticket cost	7.5% of ticket cost
CheapOair	OTA	Trip Mate	6.5% of ticket cost	13.2% of ticket cost
Cheaptickets	OTA	AIG Travel Guard	\$34 per person	\$86 per person
Delta	Airline	Allianz Global Assistance	6.8% of ticket cost	6.5% of ticket cost
Expedia	OTA	AIG Travel Guard	\$33 per person	\$102 per person
Frontier	Airline	AIG Travel Guard	3.6% of ticket cost	14.0% of ticket cost
Hotwire	OTA	AIG Travel Guard	\$33 per person	\$80 per person
JetBlue	Airline	Allianz Global Assistance	6.5% of ticket cost	\$96.47 per person
Orbitz	OTA	AIG Travel Guard	\$37 per person	\$76 per person
Priceline	OTA	Allianz Global Assistance	5.4% of ticket cost	6.3% of ticket cost
Southwest	Airline	NONE	NONE	NONE
Spirit	Airline	AIG Travel Guard	7.0% of ticket cost	9.0% of ticket cost
Sun County	Airline	Trip Mate	\$25 per person	\$25 per person
Travelocity	OTA	AIG Travel Guard	\$33 per person	\$75 per person
United	Airline	AIG Travel Guard	6.0% of ticket cost	7.0% of ticket cost

insurance filed a claim.¹⁷ But the survey shed no light on the percentage of claims denied or approved, or the amount paid out on approved claims.

Travel insurance is seen as a low-risk product and a steady revenue generator, and the relationship that the airlines and OTAs have with their insurance providers appears to be mutually beneficial. Although travelers who search travel insurance comparison websites can see hundreds of plans from dozens of insurers, just two companies — AIG Travel Guard (AIG) and Allianz Global Assistance (Allianz) — provide the travel insurance to which visitors are pushed on airline and OTA websites. AIG and Allianz are the insurance provider for 13 of the 15 airlines and OTAs that offer travel insurance.¹⁸

Although the financial arrangements between the airlines and OTAs and AIG and Allianz are not public, a telephone survey of a subset of airlines confirmed

17 Press Release, US Travel Insurance Association, New Study Reveals Who Buys Travel Insurance Demand Triples; Higher Income, Education Play Roles, <http://www.ustia.org/new-study-reveals-who-buys-travel-insurance-demand-triples.html>.

18 The one exception is Trip Mate. It provides the travel insurance for Sun Country Airlines and CheapOAir.

that, for every travel insurance policy they sell on their websites, they receive a percentage of the premium.¹⁹ None of the airlines was willing to disclose the details of its financial relationship with AIG or Allianz, and therefore there is no way to determine airline profitability on travel insurance plan sales.

Insurance policies for domestic travel offered by the airlines and OTAs are priced either on a flat-rate basis or as a percentage of the cost of a ticket (Table 3). Nine of the 15 airlines and OTAs charge on a percentage-of-the cost basis, with Frontier on the low end at 3.6 percent of the ticket cost and Spirit on the high end at seven percent of the cost. Of the six that charge a flat-rate price, Sun County charges the least, at \$25 per person, and Orbitz charges the most, at \$37 per person. For international travel insurance,

19 Senator Markey's office contacted three airlines about their financial arrangements with their insurance provider. Each airline confirmed that it receives a percentage of the premium on every policy sold, but none was willing to provide any specifics.

eight of the 15 airlines and OTAs charge on a percentage-of-the-cost basis, with Priceline on the low end at 6.3 percent of the ticket cost and Spirit on the high end at nine percent of the cost. Of the seven that charge a flat-rate-price, Sun County charges the least at \$25 per person, and Expedia charges the most, at \$102 per person.

The increase in revenues from travel insurance commissions is just one part of a larger airline effort over the last decade to improve profit margins. “Since 2008, U.S. passenger airlines have increasingly ‘unbundled’ optional services, charging fees for a variety of services that were previously included in the price of the ticket,” such as checked bags, early boarding, seat selection, and meals.²⁰ Around that

20 U.S. Gov’t Accountability Office, GAO-17-756, Information on Airline Fees for Optional Services at 1 (Sept. 2017), <https://www.gao.gov/assets/690/687258.pdf>.

time, the airlines also began charging higher ticket cancellation and change fees. Between 2010 and 2016, airline revenue on change and cancellation fees increased by more than 14 percent, to \$2.9 billion in 2016.²¹ Travelers can pay a significant markup for more flexible tickets — a profit center for airlines — but they are often priced for business travelers and are prohibitively expensive for the average consumer. With higher cancellation and change fees for discount tickets, the airlines have manufactured a need for travel insurance that promises travelers protection. Indeed, many insurance offerings even say “Avoid change fees. Protect your trip.”²² The last decade’s growth in cancellation and changes fees, and the massive increase in travel insurance sales by airlines and OTAs, is no coincidence.

21 *Id.* at 18.

22 See, e.g., Cheaptickets.com advertisement in Figure 2.

4) Recommendations

As passengers make travel plans, they should be wary of the take-it-or-leave-it travel insurance policies that airlines and online travel agencies offer. There are times when purchasing travel insurance makes sense, and travelers that want to insure their trip can best protect themselves by:

- **Knowing the risks against which they want to be insured.** Travelers should identify the risks against which they want to be protected and find a plan that covers those risks. Many travelers may want a trip cancellation or interruption plan to protect against an illness or injury that prevents them from traveling. Those going abroad may want coverage for a medical emergency and insurance for medical transportation back to the United States. More cautious travelers may want to consider “Cancel for Any Reason” plans, which cost more than an average travel insurance policy, but have few limitations on travelers’ ability to cancel travel plans.
- **Reading the terms and conditions of any travel insurance plan.** Knowing exactly what an insurance policy covers requires reading the policy’s terms contained in the Certificate of Insurance. Before purchasing a policy, travelers may also want to contact the insurance provider to discuss coverage scenarios, learn where exactly in the written policy the coverage they seek is provided, and confirm they are protected in particular situations. This takes considerably more time and effort than a quick online purchase. But if travelers are concerned enough about travel plans to purchase insurance, it makes sense for them to know just what they are buying.
- **Evaluating other travel insurance options using one of the many reputable comparison websites.** Non-affiliated travel insurance comparison websites offer hundreds of plans from dozens of insurers. Websites like Squaremouth.com and Insuremytrip.com give travelers much more power in finding the right insurance to meet their needs.
- **Saving all receipts and cancellation notices from their travels.** All insurance policies, whether purchased from an airline, an OTA, or elsewhere, will require proof of a claim. It is important to keep all documentation, such as receipts and cancellation notices.

Airlines and OTAs should also improve their internet-based travel insurance marketing and sales practices:

- **Airlines should return to charging fair prices for services expected.** Airlines should return to ticket pricing and marketing practices that allow travelers to cancel or change a flight without incurring an excessive fee — a practice that is the subject of Senator Markey’s and Senator Blumenthal’s FAIR Fees Act, which prohibits airlines from imposing fees, including cancellation, change, and bag fees that are not reasonable and proportional to the costs of the services provided.
- **Airlines should treat travel insurance like any other add-on.** Absent a return to reasonable cancellation and change fees, airlines should scrap the aggressive and high-pressure tactics that push travelers to purchase travel insurance. Airlines should not require travelers seeking to purchase an airline ticket to affirmatively decline buying travel insurance before completing a ticketing transaction.
- **Airlines and OTAs should be more transparent in the sale of travel insurance policies.** Where purchasing a travel insurance policy remains an option on the websites, the policy’s complete terms and conditions should be readily accessible and presented in plain language.
- **Airlines and OTAs should be more transparent about their relationship with travel insurance companies.** It is concerning that just two travel insurance companies represent more than 87 percent of the policy offerings on airline and OTA websites.

Finally, the travel insurance companies have a role to play as well:

- **Travel insurance companies should make information related to travel insurance claims public.** Currently, the travel insurance industry does not make information public about the number of claims filed, claims denied or paid, the reasons why, and the amounts paid on successful claims. Consumers would benefit from this information, which would help them make informed decisions about travel insurance purchases and which policies would work best for them.