



# Insuring Travelers in the Digital Age

RISK + INNOVATION | PART 6 IN A SERIES

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Afterword by:

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# INTRODUCTION

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When Expedia launched in 1996, few could have anticipated the transformation that this platform would bring to the travel industry. Expedia gave consumers complete control over the booking process, with multiple options available in one place for immediate, online booking. With that leap, Expedia and the online travel agencies (OTAs) that followed in its footsteps launched a trend of technology-driven innovation in the travel industry — a trend that has only accelerated.

In the past 22 years, OTAs and other industry participants—including airlines, hotel chains, car rental fleets, and experience providers—have utilized technological advances to catalyze rapid changes both in how the industry operates and in how customers expect to experience travel. Today, live pricing provides travelers with up-to-the-second information on costs. Bundling flights, hotels, car rentals, and experiences enables all-in-one booking and cost savings. At the leading edge, personal concierge-style services give customers one-on-one attention on-site or through websites and mobile apps.

Consumers have responded to these advances by turning to online travel planning in droves. In 2016, global online travel sales topped \$564 billion, and are projected to grow to more than \$755 billion over the next two years. While final data is not in, it has been predicted that online travel agencies will have overtaken a majority share of the U.S. hotel market in 2017.<sup>1</sup>

In addition to changing the experience of travel, access to information online allows travelers greater control over their experiences: Nielsen found that the average customer views 28 different websites over 53 days before booking a trip.<sup>2</sup> With travelers increasingly invested in the experiences they assemble using the many tools at their disposal, safeguarding these experiences has become even more important.

Yet as the travel industry has evolved, the sector responsible for protecting these highly personalized travel experiences has not kept up with the change. While some elements of travel insurance have become automated, travel insurance has not yet become dynamic in the way the vast majority of the travel industry has. For the most part, the technological and creative platforms used throughout the travel insurance sector deliver only limited selections of static and often irrelevant offers.

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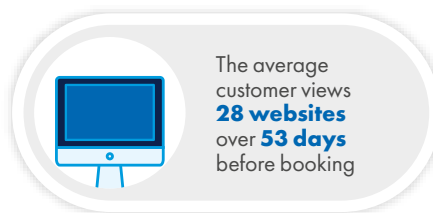
Furthermore, though public attention tends to focus on leisure travel, the same opportunities for transformation exist in the business travel market. Business travel accounts for nearly a third of the estimated \$990 billion in annual direct travel spending in the U.S.<sup>3</sup> While different, these experiences are equally vulnerable to risks. And fortunately, travelers can still be protected.

There is a clear need for both business and leisure travel insurance to match the pace of the rest of the travel industry. By fusing technological innovation with product innovation, travel insurers can better safeguard customers' travel experiences. Rapid insights into real-world decisions have driven seismic shifts in the broader industry. These changes have the potential to fuel dynamic, responsive travel insurance platforms that can offer the right protection and support to the right person at the right time.

Insuring Travelers in the Digital Age explores the potential to apply nascent technologies such as machine learning, chatbots and artificial intelligence to innovation in travel insurance. In evaluating the potential of these new tools, AIG illustrates its vision of the future travel insurer — seamlessly integrating with distribution partners in order to become an extension of a traveler's overall experience. With this vision in mind, this paper details ways in which forward-thinking insurers are bringing the travel insurance sector into alignment with the travel industry at large. In the process, these innovators are achieving their core promise to safeguard travelers' most treasured experiences.



Source: Chestler, D.<sup>1</sup>



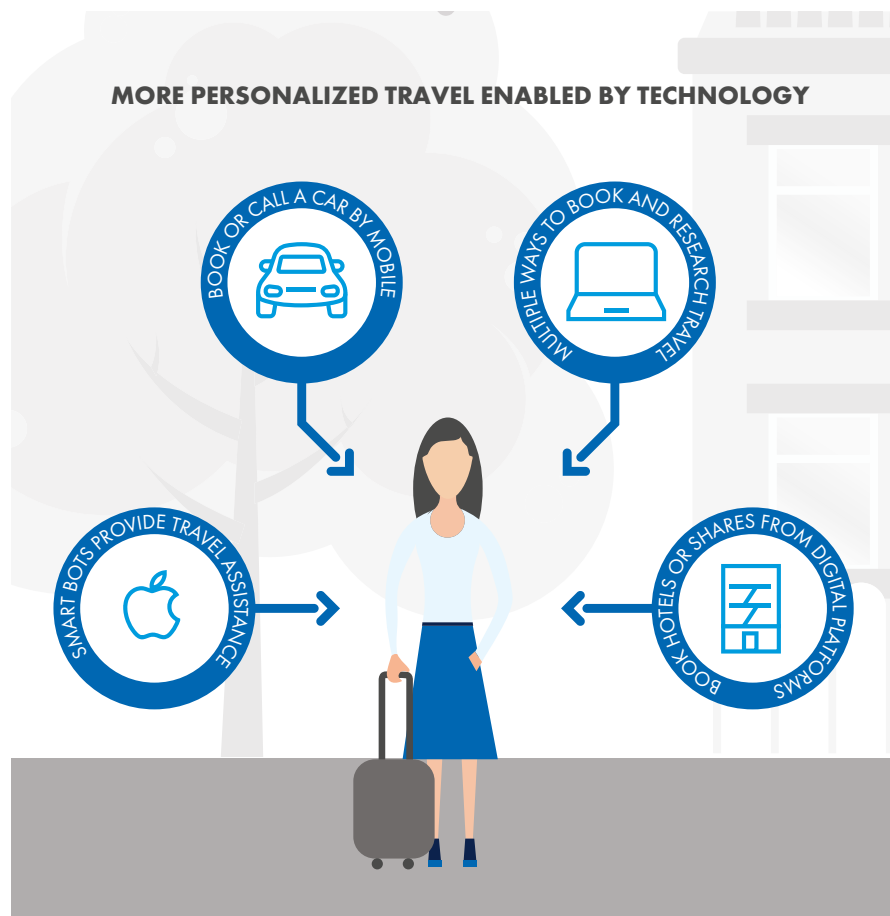
Source: Chestler, D.<sup>2</sup>



Source: "U.S. Travel Answer Sheet"<sup>3</sup>

# PERSONALIZED TRAVEL REQUIRES PERSONALIZED PROTECTION

Technological innovation has empowered travelers to create their own personalized travel experiences. Today, dynamic customization is one of the defining features of the travel industry. By combining digital technology and human ingenuity, providers can measure consumer expectations moment to moment, using expert insights to offer the right products and deliver the right services to the right people at the right time.



More personalized travel experiences require more personalized protection. With the entire world of travel literally at their fingertips, customers benefit from targeted and tailored insurance packages that don't burden them with extraneous coverage they can neither use nor afford.

Yet many areas of the travel insurance market remain limited by static products, generated only for broad audiences. Moreover, these are often marketed as a mere afterthought to the more exciting portions of travel purchases. The static nature of these offerings is partly due to the belief that insurance regulations are too restrictive to allow the same degree of radical and real-time innovation possible in other sectors of the travel industry.

While these reservations may have once been valid, technological and analytical advances have now rendered such objections obsolete. Instead, these innovations have the potential to move travel insurance forward at an unprecedented pace.

While these developments can be accelerated by technological innovation, they must begin with new ways of thinking about product development. Travel insurers' standard method of filing bundled packages requires additional time and resources to deconstruct and re-assemble isolated units of coverage. This traditional approach limits travelers' flexibility in selecting personalized coverage, and leads to unnecessary costs for both partners and customers.

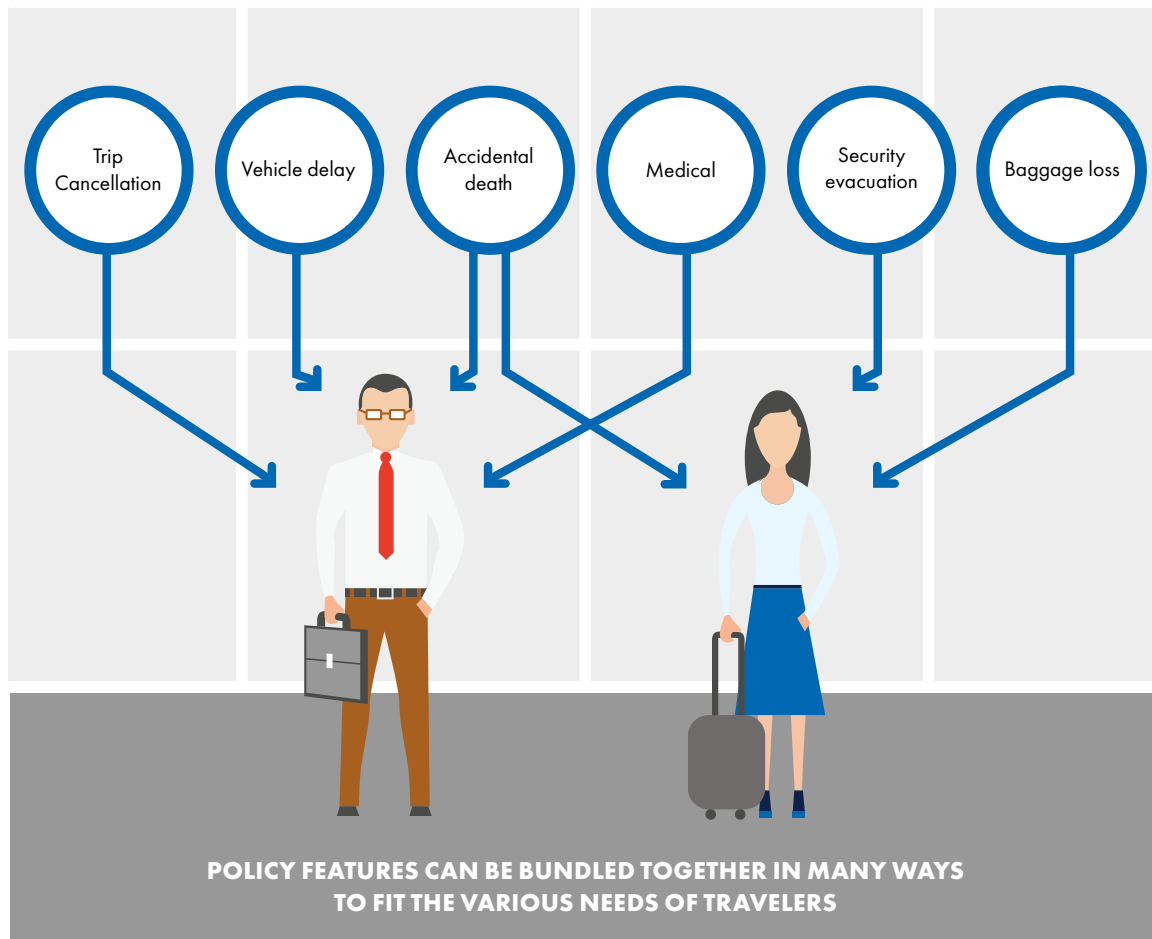
**AIG's insurance companies have taken a different approach, filing coverages as separate "units." This strategy enables AIG to package and discard isolated insurance units at the account level, meeting travelers' needs more quickly, accurately, and at a lower cost.**

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With the advantage of unitized filing, discrete coverages can be custom-bundled to provide different product options to different segments of the traveler population. Among these are coverage for trip cancellation only, coverage for particular types of illness or injury more common to certain trips, coverage for transportation issues related to automobile, nautical, or air travelers only, and other personalized options. The old paradigm of filing

product packages all but required insurers to be able to predict the future: with so many variables at play, there was often no way of knowing what type of insurance customers would need many months down the line.

Destination travelers and millennials find these customized options particularly appealing. Young travelers have access to a tailor-made plan. Whereas customization usually costs more than standardization in other industries, the reverse is typically true when it comes to insurance.



## MARRYING TECHNOLOGICAL INNOVATION AND PRODUCT INNOVATION

Travel insurers' next step is to harness the power of emerging technologies like machine learning to guide travelers to exactly the right insurance products and services for their particular trip, budget, and preferences.

To accomplish this, the future travel insurer would be able to generate, consolidate, analyze, and deploy real-world data. This rapid-fire information would enable them to employ a "test-and-learn" strategy to design market-based business solutions. The potential scope of such an effort is broad, although its core goals would remain consumer-driven. By evaluating the responses of different demographics to changes in specific characteristics of an offer, an insurer can become an

extension of its partners' platforms, offering increasingly personalized products to an increasingly diverse population of customers.

At the leading edge, tomorrow's insurer would be able to utilize machine learning and efficient multivariate testing as opposed to traditional A/B testing. The difference between these two testing strategies is one of efficiency as well as accuracy: simply put, A/B testing may not enable a substantial degree of optimization and immediacy. Its sequences take longer to generate, and cannot evaluate interactions among multiple variables at the same time. Nor can A/B testing always reveal the underlying reasons for why one option outperforms another.

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Multivariate test-and-learn strategies, on the other hand, enable businesses to optimize and achieve growth at an exponential rate. With test-and-learn techniques, analysts can iterate predictive cycles at a breakneck pace. Test-and-learn experts therefore deliver faster, more informed, data-driven results, and provide outcomes that clarify why different variables perform as they do among distinct populations at various times. By applying test-and-learn strategies to prototyping and iterative testing, carriers can facilitate real-time product personalization for implementation in the marketplace.

These technologies, coupled with test-and-learn paradigms, promote faster, bolder avenues for innovation. Rather than wait to complete a project or product before testing it, test-and-learn analysts change as they go. This approach merges faith in the human capacity for evaluation and re-orientation with a new trust in the strengths of data and technology. Today, pioneers in the travel industry can develop innovative, individualized targeting strategies that offer trip-specific protection for their customers.

These strategies can generate better business revenue without demanding changes to partners' overall business models.

At the leading edge, insurers would offer different levels of integration capable of controlling insurance-related real estate on partners' webpages and apps. Integration with the insurer would allow partners to maximize corporate profit and facilitates a faster, more efficient process for releasing products to consumers.

Today's growing array of travel opportunities, coupled with technology's ever-accelerating capacity for innovation, has given consumers an unprecedented degree of control in creating customized travel experiences. Personalized travel insurance packages are the necessary next step in safeguarding these individualized experiences. Yet in order to truly integrate with the customer experience, travel insurers must become fluid and frictionless partners with other travel providers.

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# STRENGTHENING CUSTOMER EXPERIENCE AND LOYALTY

The word “disruption” is often used in tandem with “innovation.” Yet innovators in the world of travel have demonstrated that minimizing disruption to travelers can create positive and memorable experiences that strengthen customer loyalty. The travel insurer of the future will not only minimize disruption, but transform their own role from that of an addendum at the periphery of the customer’s travel experience to a core component of that experience.

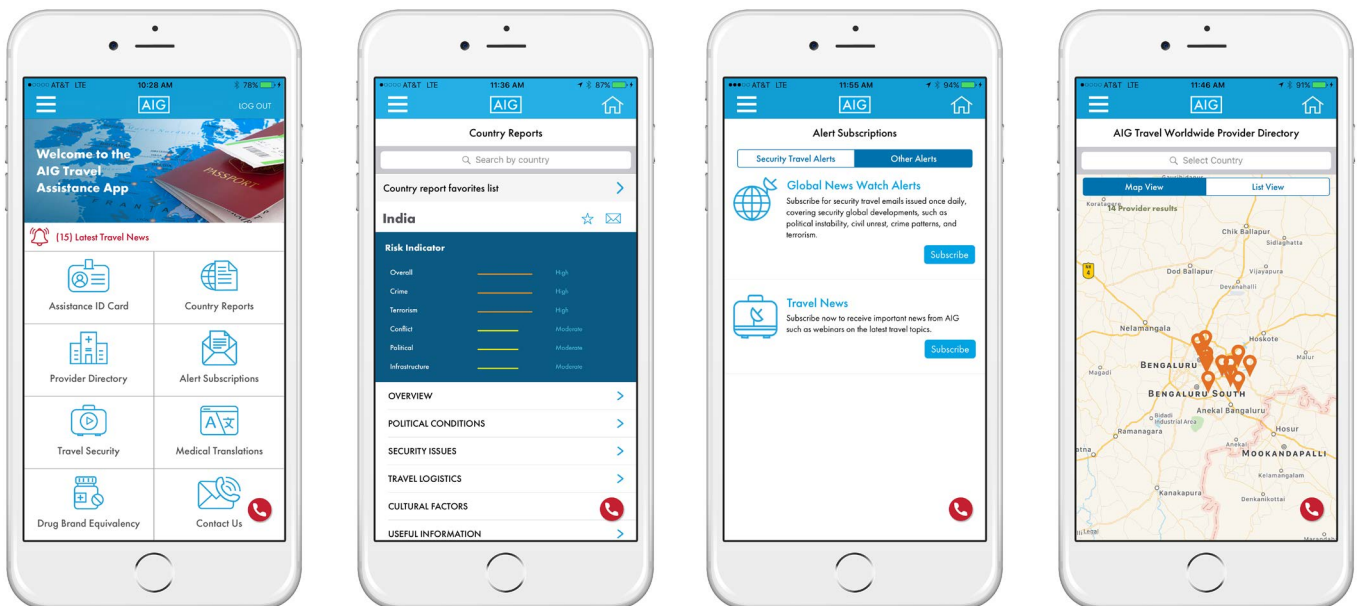
Integration and diversification can strengthen the customer experience of travel insurance. By embedding its capabilities into the platforms of other players in the travel industry, an insurer can help extend these brand identities beyond their core.

Today’s opportunities for travelers to diversify their experiences are vast. With this array of offers able to be integrated onto one cohesive platform, consumers can plan, build, compare, book, change, and even review distinct components of their trips with greater ease than ever. Industry leaders like Expedia and Airbnb owe a portion of their success to their willingness to adopt and refine diversified, integrated models.

## PROTECTION AND SERVICE AT THE TOUCH OF A BUTTON

In 2014, AIG decided to harness technology to develop a tool to empower travelers. The award-winning “Business Travel Assistance” app now uses real-time global analytics to provide users with season-, region- and case-specific travel alerts based on the latest news, weather, traffic, and other relevant data. It serves as a central, mobile resource for managing travel insurance and can guarantee one-touch access to high-quality help.

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The app relies on data collected 24/7 by a group of dedicated security analysts, whose sole responsibility is to monitor the globe for regional and international developments that may impede or influence travel. Data from the analytics team provides the app's users with the latest updates, and allows customers to interact with multiple tools on the app's platform. These tools also integrate data from a third-party medical network, which generates a state-of-the-art medical risk map. These graphics use color-coded illustrations that highlight country-wide and regional risk rates for malaria, foodborne illness, water contamination, and other health and safety concerns. The platform then recommends vaccines, equipment, and other preventative measures users can take to reduce their likelihood of contracting diseases, encountering delays, or even being victimized by crime.

Although in its original conception this tool was oriented toward business travelers, today its reach is far broader. In case travelers do encounter an emergency, every page of the app is equipped with a large, highly visible 'push' tool that immediately connects the user to an individual policy representative. Representatives locate and direct travelers to immediate, trusted sources of care in the user's first language. In travel, the assurance that comes from instant access to a customized team of insurance, medical and security providers can be invaluable. By keeping travelers apprised of evolving risks in real-time, the travel assistance app empowers individuals to travel with confidence.

#### **EXTENDING THE CUSTOMER EXPERIENCE ON PARTNER PLATFORMS**

Travel industry players may prefer that their customers purchase an experience that looks and feels like that player's own brand. To better serve their partners in travel, the travel insurer of the future would develop application programming interfaces (APIs) that could seamlessly integrate with corporate partners' platforms, providing choice and flexibility in response to their partners' unique needs.

Insurers' APIs should offer a broad range of product choices that can be directly integrated onto their partners' platforms. AIG's Production Information API, for example, provides a list of available travel insurance products, summaries, and details on benefit and coverage information. The Quote API provides customized insurance quotes on partners' sites, oriented toward each partner and the individual customer's travel plans. The Assistance API provides destination-specific content, travel warnings, and security alerts. And the Electronic Messaging option allows users to send and receive text messages from partners regarding purchased or downloaded services.

The goal of consolidating all these efforts is to accelerate disruption from a technological standpoint, yet minimize disruption to the customer's experience. APIs like those discussed above can make travel insurance a frictionless extension of consumers' travel experiences and partners' marketing solutions.

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# THE FUTURE OF TRAVEL INSURANCE

Rapid developments in technology are changing how travelers envision and create their travel experiences. New Sharing Economy platforms have opened up fresh ways for people to travel, eclectic places to stay, and unique activities to experience. Today Airbnb offers travelers opportunities to book experiences with locals. EatWith offers authentic home-cooked food around the world. Vayable creates personalized, custom-fit tour experiences specific to users' destinations, interests and special needs or unique skills. And Wingly offers European travelers private flights for a fraction of the typical cost.

As the role of the insurance sector is to effectively mitigate risk, forging the way forward in this sector may demand a greater degree of entrepreneurial ingenuity than in other segments of the travel industry. As insurers continue to apply new technologies to help transform the travel industry, insurers' partnerships can forge new frontiers both within and beyond travel insurance that provide solutions custom fitted to local markets' needs.

## CANADA'S HEALTHCARE SYSTEM LEADS TO INNOVATIVE PARTNERSHIP IN TRAVEL INSURANCE

The Canadian market is unique in that individuals are only covered for medical while they are in their home province, but lose their medical coverage when they venture to other provinces. Therefore, Canadians traveling to the

U.S. or other areas for brief periods of time — such as a half-day shopping trip — often require highly customized, inexpensive, and ultra-short-term coverage to meet their travel needs.

Travel Guard® on Demand, AIG's app in Canada developed in partnership with a technology startup, provides protection and assistance for travelers



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with coverage that starts the moment they leave their home province and ends the moment they return. Geo-location features embedded in the app automatically notify the policyholder when they leave their province. This means customers are covered for the exact period of time they desire — down to the minute — without having to pay for daily or annual plans they do not need.

### **FOLLOWING THE CUSTOMER TO THEIR PREFERRED CHANNEL – CHINA**

Insurers can use advances in AI and machine learning to build deeper relationships with customers by meeting them where they are: on social media. For example, mobile messaging app WeChat boasts more than 930 million monthly active users in China,<sup>4</sup> where users spend an average of more than one hour per day.<sup>5</sup> WeChat users increasingly rely on WeChat Pay to conduct financial transactions both online and offline. Transactions using WeChat Pay went up 23 percent in 2017, and offline transactions using WeChat Pay increased 280 percent over the same time. Many WeChat users also use the app when traveling; the number of users logging in from abroad increased by 62 percent from 2016 to 2017.<sup>6</sup>

To improve customer loyalty and retention in China, insurers can make their products more accessible and connected by adding travel search options into WeChat's billion-user portals. By developing a WeChat presence such as a chatbot, insurers can provide value to Chinese consumers without requiring them to leave the app.

For example, AIG's presence on WeChat uses an AI chatbot that can answer hundreds of questions about product, payment, and purchase options. After sales, the chatbot can resolve issues related to claims and to services offered

during or after travel. AIG's WeChat presence allows users to plan trips and buy travel insurance without ever leaving the app. It also enables users to correspond with friends and solicit feedback from fellow users as they compare offers.

Yet social chatbots cannot function without human analysis of customers' emerging needs. Teams at AIG, for example, are currently enhancing the WeChat chatbot's most popular feature, which focuses on claims. AIG analysts conduct weekly and monthly data aggregation and evaluation sessions to help determine which questions and claims are most common to different user demographics. Analysts then prepare the most up-to-date answers, targeted toward those demographics, to embed within the chatbot's system.

Artificial intelligence offers broad potential to enhance both customer experience and marketing in the travel industry. Because of the popularity and success of the chatbot on WeChat, AIG is now looking to expand the chatbot's interface to AIG's website — and across other platforms as well. By deploying a similar chat mechanism across multiple networks, analysts could gain insights into the differences between profiles on diverse social media and retail sites. Once integrated and passed along to corporate partners, this knowledge could enable businesses to create even more precise targeting and communication strategies, adaptable not only with regard to different demographic groups, but to variations across diverse media channels.

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# CONCLUSION

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Innovations in the travel industry in recent decades have made it easier and more affordable for consumers around the world to personalize every aspect of their travel experience.

Travel is more personalized, dynamic and digital today than ever before. Although traveler audiences have become more diverse, travel companies have gained an even greater understanding of their needs. They are able to couple technology with human ingenuity to offer experiences tailored to fit customers' budgets, schedules, and sense of adventure. Travelers' behaviors are changing, too: customers now expect a seamless travel experience that begins when they first hit the "search" button, leads them through their planning stages, and ends with their safe return home.

The same innovations driving change in the travel industry at large are similarly poised to transform the travel insurance sector. Insurers can now offer the right protection to the right people at the right time, deliver solutions that are fully integrated with customer experiences, and help direct the continuing evolution of the travel industry.

Nascent technologies such as artificial intelligence present an opportunity to make travel insurance more relevant and valuable to consumers at every point along their experience.

Keeping pace with other parts of the travel industry requires insurers to practice both technological and product innovation and marry emerging technologies with business expertise. It also demands the ability to apply decades of local service to an industry that increasingly operates globally. If the recent history of the travel industry is any indication, the future of travel insurance is bright. But turning opportunity into reality requires the flexibility to adapt to evolving consumer expectations and an aggressive commitment to innovation.

By **Jeff Rutledge** – President and CEO, AIG Travel

This paper explored the many ways technological and product innovation is raising the value proposition of travel insurance for consumers and distribution partners. Collectively, these changes also represent an important moment for the travel insurance sector. In the more than 150-year history of travel insurance, there has never been a better time for our industry to emerge as an integral part of the travel ecosystem.

Ever since James Batterson opened the Travelers Insurance Company in the mid-19th century, travel insurance has sought to safeguard travelers' experiences. In those early days, virtually all travel was adventure travel. And only the wealthy few had the resources to experience it. Like travel itself, travel insurance was a luxury amenity for people with major assets.

In the years since, the world has grown smaller. What was once a far away, exotic, weeks-long, once-in-a-lifetime excursion is now just a plane ride away — a long weekend available at the click of a button for a surprisingly affordable price. But as travel has become more common, accessible, and affordable, the ways we conceptualize, package, and market travel insurance have not kept pace.

Those big-ticket travel experiences still exist — and the promise of consumer-level space travel in the near future is expanding the entire concept of long-haul travel. Yet the security risks of our increasingly volatile world mean more of the destinations once thought to be safe carry a host of visible and hidden vulnerabilities. Travel is no longer solely the domain of the rich who need to protect large assets, or of extreme thrill-seekers facing obvious safety hazards. Travel today is often short-haul, jet-setting or country-hopping. The perception among many

travelers — and many companies in the travel industry — is that this lower-profile travel is less risky. "I don't need travel insurance to go to London; it's just London."

But that's a misperception that could result in a long list of complications. Even the savviest traveler can fall ill or break a leg while abroad. Medical care — including evacuation back to the United States to treat major emergencies — is just the kind of thing travel insurance provides. It also safeguards travelers in the event of the more mundane risks that could affect any traveler: Trip cancellation, flight delay, sickness or injury, lost luggage, missing passports. Travel insurance is always necessary to help remove roadblocks and clear the journey ahead.

As the innovations explored in this paper take root and provide travelers with more relevant, more integrated, and more accessible insurance options, travelers will better understand the value travel insurance protection provides. Distribution partners will regard travel insurance not just as something they offer their customers, but an important product with value for any kind of journey or experience. This is an important moment for the travel insurance sector, and one in which AIG is proud to be an active leader.

All stakeholders in the industry — from online travel agencies to hoteliers to experience providers to insurers — share the same customers and the same responsibility for customers' experiences. The travel insurance sector can no longer stand in isolation or operate on the margins of the industry. Its continued evolution alongside the broader travel industry is critical—not only for travel insurance, but for the entire industry and the travelers we serve.

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# CITATIONS

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