The McGovern Philosophy: Don't Take a Premium Increase Lying!

Travel insurance revenue is primarily bottom **line income** for the travel supplier. Keeping your fair share of the premium helps maximize profits. Capitalizing on travel insurance revenue has become a challenge for the largest cruise lines to the smallest of tour operators, and travel suppliers in between.

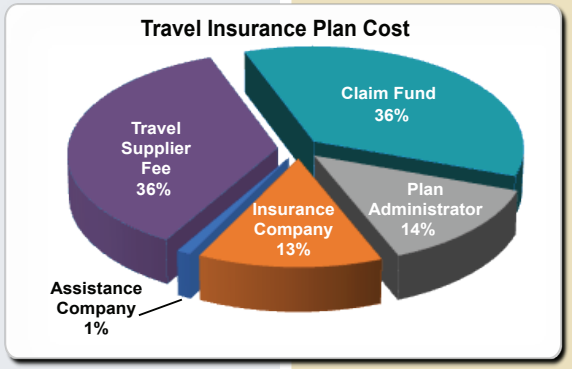
The primary reason travel suppliers may no longer be getting a fair deal is that the major **travel insurance providers** are now owned by large corporations. These corporations have loftier appetites for profits on their side of the ledger.

Consider this: If travel suppliers did not offer travel insurance with their bookings, there would be no distribution path for the insurance companies. Therefore, excess profits from travel insurance should benefit you.

Approach Your Plan Administrator With The Following:

1. Know how your premium dollars are being spent.

Generally, the plan cost may be broken down as follows:



Ask for the fixed costs of the Insurance Company, Plan Administrator, and Assistance Company. This leaves two variables to consider: the claim fund and travel supplier's fee.

These components can change inversely. For example, during 2012, natural disasters, and economic downturns contributed to unusually high claims. Many travel suppliers' upfront fees were significantly cut to offset the higher claim fund from the year before.

2. Ask your travel insurance provider about their claims experience.

After 2012, travel insurance claims began to level off significantly. Only travel suppliers, who were on top of

their game, were able to reverse prior fee cuts by having properly prepared and defined data reports.

Premium and claim data should be provided to you on a travel departure basis. This means that premium costs for all travelers scheduled to depart during a given year should be matched with claims that took place for those individuals scheduled to depart in the same year. This provides a clear snapshot of how the money is allocated. For example, if the claim fund allocation was 36% and at the end of the year only 30% was paid out, ***you have the ability to negotiate for the remaining 6%.***

3. Do not accept a premium increase (or fee cut) based on one year of data.

The insurance industry views 2012 as an aberration, the perfect storm that caused abnormal claims activity. However, the insurance company is in the business of taking risk.

Why should it be the travel supplier's responsibility to offset future income due to the claims from prior periods.

Negotiating future fees should be based on a minimum of three years of information. A few emergency evacuation claims in a given year, can make a program appear unprofitable. When looking at a longer period of time, one can see that evacuations are costly, yet insurance

companies do not experience these irregularities often. Therefore, events like this should not adversely affect your revenue.

Whether you are crafting a new travel insurance protection plan or renegotiating an existing travel insurance contract, always keep in mind that you ***own the program.*** Do not let the insurance company compel you to think or believe otherwise. The plan should be designed to protect the interests of your traveler's and your company.

"We are driven by an uncompromising dedication towards serving our clients exclusively for their travel insurance plans."

- Bill McGovern, President

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