

Factors that affect the cost of Travel Insurance Premium

Have you ever wondered how we work out your Travel Insurance Premium? Below we share the factors that may affect how much you pay for your premium.

The impact of individual factors on travel insurance premiums is based on actuarial and statistical considerations. Insurance companies use data and risk assessments to determine the likelihood of a policyholder making a claim.

We base the premium on the following key risk factors:

The age of the travellers

Age is a significant factor in the calculation of a travel insurance premium due to factors including:

- Health risks and related medical costs – as people age, they may be more prone to health issues and may have a higher likelihood of requiring medical attention while travelling which may result in increased medical costs for older individuals.
- Frequency of claims – older travellers may be more likely to make claims on travel insurance policies.
- Trip cancellation risk – older travellers might have a higher likelihood of cancelling or interrupting their trips due to unexpected events, such as health emergencies.

Trip length

The length of your trip will impact the cost of the premium. The impact is due to factors such as:

- Exposure to risk - the longer you are travelling, the more exposure you have to potential risks.
- The probability of an incident occurring increases with time - the more days you spend travelling, the higher the chance that an unexpected event may occur.

The lead time

The lead time is the amount of time between the purchase of travel insurance and the actual travel dates. Here are some reasons why lead time can affect the cost of travel insurance:

- Coverage period – the lead time affects the length of time the insurance policy is in effect before the trip begins.
- Changes in circumstances – the longer the lead time the greater the potential for unexpected changes in travel plans, resulting in needing to claim for trip cancellation.

The travel destination

The travel destination is a significant factor influencing the price of travel insurance. Here are some reasons why the travel destination affects travel insurance prices:

- Medical costs - healthcare costs vary widely from one country to another. The cost of medical treatment in some destinations will be higher than in others.
- Repatriation costs - in the event of a severe medical emergency or death, repatriation costs (bringing the traveller back to their home country) can vary based on the destination.

Travellers Pre-existing Medical Conditions

Pre-existing medical conditions can impact the price of travel insurance due to the increased risk associated with providing coverage for individuals with known medical issues. Here are several reasons why pre-existing medical conditions affect travel insurance prices:

- Likelihood of medical expenses - individuals with pre-existing health conditions are more likely to require medical attention while travelling.
- Potential for trip cancellation or interruption - some pre-existing conditions may increase the risk of unexpected changes in travel plans, such as trip cancellation or interruption.

Number of travellers

The number of travellers who will be listed on the policy can influence the premium. With each additional person covered by the policy, there is an increased likelihood of someone needing medical attention, experiencing a travel-related issue, or making a claim for other covered events.

The amount and type of cover

The cover type and benefit limits selected will have an impact on the premium as additional cover or increased limits on benefits impacts the potential size of a claim. For example, a policy with a \$20,000 cancellation benefit limit will increase the size of a potential claim compared to a policy with a \$5,000 cancellation benefit limit

Contact us?

If you would like more information on factors that affect the cost of travel insurance premium, please contact us:

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