

EDWARD J. MARKEY
MASSACHUSETTS

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AND INTERNATIONAL CYBERSECURITY POLICY
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SPACE, SCIENCE, AND COMPETITIVENESS
SMALL BUSINESS AND ENTREPRENEURSHIP
CHAIRMAN:
U.S. SENATE CLIMATE CHANGE TASK FORCE

United States Senate

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FALL RIVER, MA 02721
508-677-0523

1550 MAIN STREET, 4TH FLOOR
SPRINGFIELD, MA 01103
413-785-4610

August 21, 2018

Jeff Rutledge, President and CEO
AIG Travel Guard
3300 Business Park Drive
Stevens Point, WI 54482

Dear Mr. Rutledge,

I write to request information regarding your company's travel insurance products. An investigation by my office found that many of the largest airlines and online travel agencies aggressively market your company's travel insurance to every customer purchasing a ticket on their platforms. I am concerned that, with higher cancellation and change fees, travelers are being pushed into purchasing these insurance policies without fully understanding the coverage and security they are getting.

Over the last decade, airlines and online travel agencies have partnered with travel insurance providers to market their insurance policies to every customer who purchases a plane ticket online. Unlike the manner in which the airlines' and online travel agencies' websites handle most travel-related add-ons — typically allowing customers to ignore or scroll past them — these websites require customers to purchase or proactively decline travel insurance before they can book their tickets.

According to the United States Travel Insurance Association (USTIA), the travel insurance industry is booming. Travelers spent \$2.8 billion on travel protection in 2016, which is more than two and a half times as much as they spent in 2004.¹ A USTIA report from 2012 revealed that travel insurance sold through airlines and online travel agencies made up 25% of the travel insurance sales volume that year, and this segment was one of the fastest growing in the industry. However, no recent public data is available about this segment of the industry.

I am concerned that the growth in travel insurance sales through airlines and online travel agencies coincides with airlines' charging higher fees — including cancellation, change, and bag fees — that are not reasonable and proportional to the costs of the services provided. Many travelers who purchase these insurance policies are only looking for the flexibility that used to be

¹ United States Travel Insurance Association, 2014-2016 Market Survey (July 2017).

Mr. Jeff Rutledge, President and CEO

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included in the cost of every airplane ticket, but is now available only with the payment of high fees.

My office contacted three airlines about their arrangements with their insurance providers. Each airline advised that all calls and complaints about the travel insurance are referred to the insurance provider. Additionally, each airline confirmed that it receives a percentage of the premium on every policy sold. I am therefore writing to ask you about the travel insurance products that you provide to the customers of airlines and online travel agencies, and respectfully request that, by September 7, 2018, you answer the following questions:

1. Do you have contracts with airlines or online travel agencies to market and sell your travel insurance? If so, which ones and when did you enter into these agreements? How frequently are these contracts up for renewal?
2. How do you determine the coverage and premium for travel insurance policies sold on an airline or online travel agency website? Does the airline or online travel agency play a role in determining the coverage or setting premium?
3. What role, if any, do you play in the marketing of your travel insurance on an airline or online travel agency website?
4. Please provide the following data on your annual travel insurance sales through airlines and online travel agencies from 2007 to 2017:
 - a. total travel insurance policies sold;
 - b. total number of individuals covered;
 - c. total premiums collected;
 - d. percentage of your total travel insurance premium volume was from airlines and online travel agency contracts;
 - e. number of claims made on travel insurance policies sold through an airline or online travel agency website;
 - f. number of claims made on travel insurance policies sold through an airline or online travel agency website approved for payment;
 - g. average payout on claims approved for payment;
 - h. loss ratio on travel insurance sold through airlines and online travel agencies; and
 - i. total revenue from travel insurance sales on airline or online travel agency websites.
5. Do you pay the airlines or online travel agency a marketing fee (e.g., a percentage of the premium paid to you)? If so, does the marketing fee vary by contract, or is there a single marketing fee that every airline and online travel agency charges you? What is the average marketing fee you pay?

Mr. Jeff Rutledge, President and CEO

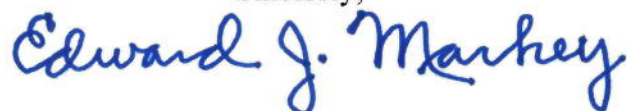
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6. How do you track customer satisfaction with the travel insurance sold through airlines and online travel agencies? Do you report any of these metrics back to the airlines and online travel agencies?

Thank you in advance for your attention to this matter. If you have any questions, please contact Ryan McKeever of my staff at (202) 224-2742.

Sincerely,



Edward J. Markey
United States Senator

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August 21, 2018

Mike Nelson, CEO
Allianz Global Assistance
PO Box 71533
Richmond, VA 23255

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