December 10, 2016
TTICC Presentation to
NAIC Travel Insurance (C) Working Group
Travel Protection Products Overview

- Big Picture Principles
  - Consumers like and want travel protection products
    - These products developed and continue to do so in response to consumer demands as they seek peace of mind for potentially stressful situations. The number of policies sold every year has increased across the industry.
  - Current regulatory uncertainty threatens the entire travel and tourism industry
    - Previous piecemeal efforts to address regulatory concerns in this space have failed to keep pace with ever-evolving consumer demand. This creates unnecessary regulatory risk which threatens availability and affordability of these products.
  - The time is right for a long-term solution
    - NAIC and NCOIL can and should use their transparent processes to create a comprehensive, workable, and predictable legal framework for regulation of travel protection products to protect consumers by encouraging fair and effective competition in the market and recognize non-insurance distribution channels of the travel and tourism industry.
Travel Protection Products Overview

- Industry Goals
  - Consumer Protection
  - Accountability
  - Simplicity
2000: During adoption of the Producer Licensing Model Act, Travel and 5 other areas are designated as “core limited lines,” but neither that Act nor proceeding years provide useful clarification or guidance to resolve challenges.

2008: NAIC’s Producer Licensing Working Group (PLWG) issues an Aggregate Assessment Report identifying a multitude of reciprocity problems surrounding qualification codes, lines of authority, and licensing, among other concerns.

2009: PLWG issues a Progress Report determines that licensing and tracking all travel agents would be difficult, expensive, and likely impossible.
Travel Protection Products
Historical Perspective/Efforts to Date

- **2010**: NAIC adopts Uniform Licensing Standard and Implementation Guidelines, which include:
  - Definition of travel insurance
  - Distinction between travel insurance producer and travel retailer
  - Establish requirements for producers overseeing travel retailers (identification, registration, training, fingerprinting)
  - **Problem: Only ONE state actually adopted the standard**

- **2012**: NCOIL adopts Limited Lines Travel Insurance Model Act
  - Very similar to NAIC Uniform Licensing Standard 34

- **2015**: NAIC creates Travel Insurance (C) Working Group

- **2016**: NCOIL proposes amendments to “Travel Insurance Model Act”
Travel Protection Products
General Nature of Challenges

- Specific regulatory challenges the industry faces are predicated on:
  - Unique nature of travel protection products
    - Varied products tailored to different unique risks - a traveler rafting down the Colorado river faces different risks than a family traveling to an Amusement park, a couple on their Honeymoon in a foreign country, or a thrill-seeker climbing remote mountains
    - Consumers don’t think about travel insurance until they plan travel, which is often to locations they are unfamiliar with
    - Highly discretionary, transient, non-renewable, short-term, take all comers products that cover risks across multiple lines of insurance
    - Travel Assistance services that do not transfer risk are nonetheless highly valued by consumers and work hand-in-hand with insurance components
  - Non-traditional distribution method
    - The travel industry, which is a driving economic force and employs 1 of every 9 Americans, is made up of many interactive moving parts, most of which have nothing to do with the insurance or insurance regulatory universe
    - Customer facing travel retailers and tour operators have extremely limited insurance activity - they are in the business of selling travel and experiences, not insurance
  - Lack of clear guidance and regulatory treatment
    - Inconsistent treatment results in standards that are unclear at best and contradictory at worst.
    - Regulation by vague enforcement actions without definitive guidance is unfair, drives competitors out of well-functioning markets, and limits consumer choice
An Illinois resident flies to Florida to visit her mother for the Holidays. While in Florida, she goes online or gets on the phone and plans a summer trip with her mother to Hawaii through an agent in Rhode Island and an Adventure Tour operator in Virginia. The trip includes a layover in California. The adventure tour may include optional excursions to see an active volcano or go SCUBA diving with sharks.

- Every trip is different - one size does not fit all.

Under current law, this fairly routine example poses many difficulties for both insurers and regulators. The good news is that regulators can address these challenges, and we believe the recent amendments to the NCOIL Model are an excellent starting point.
Travel Protection Products
Customer Satisfaction

- Despite regulatory confusion and aforementioned challenges, complaint ratios and consumer testimonials indicate they are happy with travel protection products and assistance services.

- Recent examples*
  - Missionaries boating in the Amazon River
  - Mother’s emergency appendectomy while traveling abroad with infant
  - Head injury while riding a bus in India
  - Student bitten by poisonous snake in Ecuadorian jungle
  - Volunteer helping build houses in Paraguay falls and suffers concussion
  - Former NAIC staffer experiences trip delay, lost luggage, and need for dental treatment on Honeymoon
  - Well known former U.S. Astronaut is transported from South Pole to New Zealand with help of Air National Guard and then home

* The TTICC can provide complete details on any of these examples upon request.
Absence of consistent definitions
- e.g. “Travel Insurance” or “Travel Administrator”

Product Forms, Filing, and Rates
- In 48 states, travel protection products are filed, reviewed, and approved as Inland Marine insurance - there is little or no guidance beyond that from either states or SERFF.
  - Problem: The risks consumers want to protect against do not always fit neatly into the definition of inland marine, a definition the NAIC last updated over 30 years ago.
  - In recent years, 12 states have taken to reviewing travel insurance products as both property and casualty AND accident and health.

Licensing
- Limited lines travel insurance producer licensing

Distribution
- Sales practices, marketing

Taxes

Audits

Enforcement

Applicable laws outside insurance code
NCOIL Model draws heavily on existing language from State law and other NAIC Models:

- New Section to lay out scope and purpose
- Amendments to clarify existing definitions and add new terms
- Amendments to clarify licensing issues
- New Section to clarify premium tax payments
- New Section to define competitive market characteristics
- New Section to guide form and rate filings
- New Section to set forth travel protection plan offerings
- New Section to set forth sales practices, including treatment of illusory travel insurance as an Unfair Trade Practice.
- New Section on Travel Administrator licensing
- New Section on Travel Administrator audits
- Amendments to craft travel insurance specific enforcement procedures and penalties
Examples of how NCOIL Amendments will help clarify rules of the road:

- **Filings**
  - Now: Variations on when and how travel insurance forms and rates are filed
  - Amendments: Travel insurance will be filed as inland marine. All policies, forms, and rates must be filed 30 days before use.

- **Travel Administrators**
  - Now: Undefined
  - Amended: Clearly defined role, clear documentation, licensure, and audit requirements, DOI review authority
Examples of how NCOIL Amendments will help clarify rules of the road:

- **Sales Practices**
  - Now: Unclear
  - Amendments: All sales subject to Unfair Trade Practices Act; clear disclosures in marketing materials

- **Enforcement**
  - Now: Unclear
  - Amended: Clear procedures for investigations, examinations, and penalties by the DOI
Travel Protection Products
Conclusion and Next Steps

- Today’s travel protection market has evolved in response to consumer demand and despite the absence of legal or regulatory guidance. Although it involves non-traditional distribution channels and coverages, the industry and products serve consumers well.

- We believe everyone involved in travel protection will benefit from NCOIL, the NAIC, consumers, and industry working together to develop clear additional rules and regulations which apply specifically to these products. Well crafted rules of the road will promote consumer protection, alleviate current regulatory compliance burdens, and provide a framework for innovation and development.

- The TTICC hopes to continue this dialogue and work with the NAIC and NCOIL towards developing uniform guidelines and appropriate standards that would ultimately achieve the intended purpose and benefit rather than harm consumers.

- We also welcome the opportunity to provide a much more in depth perspective to any interested regulators moving forward with briefings, conference calls, consumer testimonials, or simply by providing underlying materials that may be helpful.
QUESTIONS?