### THE FUTURE OF INTERNATIONAL TRAVEL AND THE ROLE OF INSURANCE



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# A World on the Move

Every day, more than 8 million people around the world take to the skies to travel.

The inspiration and enjoyment that travellers gain from exploring the world, working overseas, visiting colleagues, friends and family abroad, and living in new countries drives the continual growth of travel and relocation around the world.

In fact, more than 280 million households across the world will be travelling internationally by 2025.<sup>2</sup> Additionally, the number of people working internationally — expatriates — is at an all-time high, with growth of this segment expected to continue, according to Finaccord, an international market research and consulting company. In 2013, there were approximately 50.5 million expats worldwide, but Finaccord predicts this number will rise to nearly 57 million by 2017.<sup>3</sup>

The insatiable appetite to travel, live and work abroad does not falter despite worldwide risks. In 2016, international tourist arrivals grew by 3.9% to reach a total of 1.2 million, according to the latest UNWTO World Tourism Barometer.<sup>4</sup> Some 46 million more tourists (overnight visitors) travelled internationally in 2016 compared to 2015. This trend brings endless opportunities for the international medical insurance industry — particularly for those who are prepared to face a future of change.

- 2. https://usa.visa.com/dam/VCOM/global/partner-with-us/documents/global-travel-and-tourism-insights-by-visa.pdf asts\_worldwide\_market.pdf
- 8. http://finaccord.com/documents/rp\_2013/report\_prospectus\_global\_expatriates\_size\_segmentation\_forecast

<sup>1.</sup> http://www.iata.org/pressroom/pr/Pages/2013-12-30-01.aspx

# International Travellers and Expatriates: Understanding the Key Geographies

Sources: World Tourism Organization (UNWTO), Finaccord Global Expatriates 2014



**Expatriate Residents** USA 4.8 million Canada 1.6 million

**2015 International Tourist Arrivals** Americas 193 million (16%)

### Russia 1.4 million Spain 1.3 million

**Expatriate Residents** 

**2015 International Tourist Arrivals** Europe 608 million (51%)



#### **Expatriate Residents**

Saudi Arabia 8.9 million UAE 5.4 million Qatar 1.4 million Kuwait 1.4 million

#### 2015 International

Tourist Arrivals

viddle East 53 million (4%)

#### **Expatriate Residents**

India 1.4 million Australia 1.5 million

#### 2015 International Tourist Arrivals

Asia & the Pacific 279 million (24%)

# Looking to the Future

The World Tourism Organisation predicts there will be more than 1.8 billion annual international tourists by 2030.

Intermediaries can expect to see several changes in the market by that time.

The gradual shift in economic power from the West to East is changing the emphasis of travel and increasing in intra-regional travel within Asia. $^5$ 

This West-to-East trend is further evidenced by projections that business travel in China will increase by 61 percent by 2020, outpacing the increases in business travel growth in the next eight largest countries combined, including the U.S., Germany, India, UK, Indonesia, France, Turkey and Japan.<sup>6</sup>

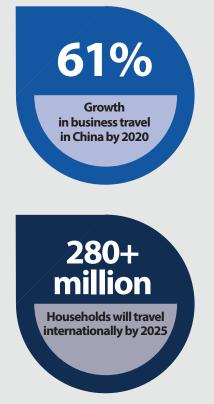
*International tourist arrivals increased by* 3.9% *in* 2016 *to reach a total of* 1.2 *million.* 

UNWTO WORLD TOURISM BAROMETER

However, trends in the West also indicate future growth in international travel. The U.S. Department of Commerce projects international travel to the United States will continue experiencing growth through 2021, based on the National Travel and Tourism Office's 2016 Fall Travel Forecast. By 2021, this growth pattern would equate to 94.1 million visitors —16 million more than in 2015.<sup>7</sup>

### International Travel: By the Numbers





Sources: World Tourism Organization (UNWTO), Finaccord Global Expatriates 2014

# *In the coming years, intermediaries will prove even more essential in addressing the rapidly changing expectations of consumers worldwide.*

TODD A. HANCOCK - PRESIDENT AND CEO OF INTERNATIONAL MEDICAL GROUP

#### **Business Travel Continues Upward Trend**

Business travel numbers are increasing too. Spending for business travel worldwide reached \$1.2 trillion USD in 2015, but the Global Business Travel Association forecasts spending to hit \$1.6 trillion in 2020, according to the GBTA BTI<sup>™</sup>Outlook – Annual Global Report & Forecast.<sup>8</sup>

Additionally, nearly 90% of surveyed companies expect their long-term expatriate assignments to remain stable or increase over the next three years, despite ongoing difficulties facing the global economy, according to ECA International's 2016 Managing Mobility Survey.<sup>9</sup>

Peripheral factors — including the introduction of health care legislation in regions across the world, such as new regulations in the UAE that make health insurance mandatory for expatriates will have a positive influence on the international medical insurance industry.

This also includes factors such as terrorist attacks, the prevalence of which is likely to drive employers to bolster protection for overseas staff. Terrorismrelated deaths rose from 3,329 in 2000 to 32,685 in 2014.<sup>10</sup> Although a majority of all terrorismrelated deaths in 2014 occurred in Iraq, Nigeria, Afghanistan, Pakistan and Syria, terrorism is spreading to other countries as well, according to the 2015 Global Terrorism Index. These countries include Somalia, Ukraine, Yemen, Central African Republic, South Sudan and Cameroon, which each experienced more than 500 terrorism-related deaths in 2014. These shifts in the global environment will continue to impact demand for international medical insurance products and services in the next five years and beyond.

As international tourist and expatriate numbers rise, so too will the number of people who need protection while they're away from home.

The unpredictability of political unrest, natural disasters, medical emergencies and more make global citizens and travellers ever more vulnerable as they depart their countries of residence and arrive in unfamiliar and, quite possibly, dangerous terrains.

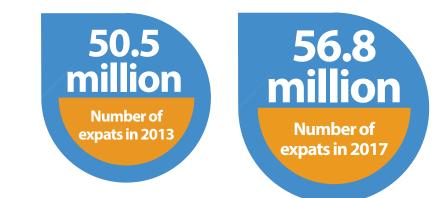
#### **Opportunities for Intermediaries**

For intermediaries, the opportunity lies in their ability to educate clients on this vulnerability. That means addressing the what-if scenarios and offering an insurance solution that will provide them protection and support during their journeys.

One of the greatest challenges for both intermediaries and insurance providers, however, is to actively be there for consumers before they even need us — to be in the market, providing expertise and offering the right products and services at the right price, at the right time.



### **Expatriate population growth**



In the coming years, intermediaries will prove even more essential in addressing the rapidly changing expectations of consumers worldwide. Providers will be tasked with addressing the "Millennial mentality" of on-demand and customised products and services — an evolution in the way many of these are currently structured and sold.

As one of the largest generations in history, Millennials are poised to disrupt the status quo of the insurance industry, forcing providers and intermediaries to meet them wherever they are, and to offer a convenient and comprehensive solution to their cover needs. Not surprisingly, the integration of technology in the purchase path will be key, and an "always-on," 24/7 support team will not only be important, but vital. However, heightened standards and stricter regulations worldwide will create more barriers to entry in certain markets for international medical insurance providers. For decades, providers have faced fairly low barriers to entry in most markets, but current trends indicate there may soon be a move toward a more regulated environment, which could cause a slow-down in expansion for some. Those who are currently developing admitted insurance programs will be wellpositioned for the future.

Despite some challenges, the outlook is optimistic for the international medical insurance industry, driven by strong global trends and an increasingly connected world. The providers and intermediaries who come out on top will be ready for a future of change, and prepared to adjust to the needs of the global market.

Our greatest challenge is being there for customers before they need us – in the market, providing expertise and offering the right products and services at the right price, at the right time.

TODD A. HANCOCK - PRESIDENT AND CEO OF INTERNATIONAL MEDICAL GROUP

# Shifts in the Global Health Care Landscape

There are a number of factors that will impact how international health care is provided and accessed globally.

As health care costs continue to rise year-over-year, out-of-pocket medical expenses will become further out of reach for some travellers and expatriates, increasing the demand for cover that shifts some of the burden from consumer to insurance provider.

Government regulations will be another key factor: The increasing popularity of mandatory health care schemes, for instance, will help governments fund existing commitments and modernise developing health care infrastructures. Unpredictable world events, such as Brexit, may also influence international health care provision and the demand for associated insurance around the world.

#### **Rising Global Health Care Costs**

The cost of health care around the world is increasing for a variety of reasons: greater demand for quality health care from more informed consumers, a higher incidence of chronic conditions, aging and growing populations, the introduction of regional regulations, advancements in medical technology and health care spending.

Health care spending is a key factor driving medical inflation, and The Economist Intelligence Unit (EIU) expects an average spending growth rate of 5.3% a year through 2018.<sup>11</sup> The fastest growth in spending will be in the Middle East and Africa, followed by Asia. Western Europe will see the slowest growth.

Consumers who travel, work or live internationally without the proper cover leave themselves vulnerable to paying high out-of-pocket expenses if they fall ill or are involved in an accident while they're away from home. Costs for different medical treatments can be steep and vary drastically by country, as illustrated by the figures in "Global health care cost indicators" on the next page.

#### **Mandatory International Health Insurance**

The rising costs of medical treatment, combined with unhealthy lifestyles and aging populations in many parts of the world, have encouraged an increasing number of governments worldwide to introduce or consider introducing mandatory health insurance schemes for non-nationals.

A compulsory system has been in place for foreign workers in Malaysia, for example, for several years, and Dubai is in the latter stages of implementing a system of its own. Cuba, with its door newly opened to U.S. citizens, specifies that visitors need a visa and appropriate medical cover, and proof must be provided. Those travelling to the U.S. on a J1 visa are required to have coverage for the full length of their program. Additionally, anyone applying for a Schengen visa for travel throughout the 26 European countries is required to have travel medical insurance that meets certain standards.

As financial pressures grow on regional health care systems, mandatory health insurance is becoming an increasingly attractive option, with expatriate residents often first in line for the new charges.

#### **Uncertainty in Health Care**

Changes in access to health care worldwide will also impact demand for international medical insurance products.

Health care reform in the U.S., for example, has forced many to consider their international cover when living abroad. The implementation of the Patient Protection and Affordable Care Act (PPACA) — which regulates health care for U.S. citizens, nationals, Green Card and certain visa holders — requires international medical insurance plans to meet "minimum essential coverage" (MEC) guidelines. This issue of compliance can leave many without the necessary cover and, thus, having to pay a penalty. However, intermediaries can help their clients find the right international medical insurance plan that both provides the necessary cover while also meeting MEC requirements.

Citizens of the UK face other challenges and uncertainty. With the UK's vote to leave the European Union, the future of the European Health Insurance Card (EHIC) remains unclear, which could leave UK travellers and expats without the proper cover. Now more than ever, it's important for them to understand the benefits the EHIC provides, and the gaps in cover it leaves.

### F Heart Attack

Singapore - \$8,500 Beijing - \$12,800 Cancun - \$21,300

### Pneumonia

Austria - \$25,000 Melbourne - \$75,500 Beijing - \$94,500

### Femur Fracture

Portugal - \$8,400 Austria - \$16,900 Thailand - \$44,800

### Acute Appendicitis

Bahamas - \$3,800 Costa Rica - \$9,500 Chile - \$10,200

### Malaria

Liberia - \$3,100 Kenya - \$4,000 South Korea - \$6,200

### **Gastroenteritis**

China - \$1,300 Togo - \$1,600 Thailand - \$2,000

Data represents examples of charges received by IMG. Amounts shown have been rounded to the nearest hundred and are in USD.

# Overview: International Medical Insurance

International medical cover includes three types of insurance products: travel insurance, travel medical and international private medical insurance (IPMI). Each provides a range of benefits uniquely suited for your clients' needs and budget.

#### **Travel Insurance**

Travel Insurance protects your clients' travel investment from the unexpected, and also provides some medical benefits, including cover for accident and sickness, medical expenses and emergency medical evacuations. Premiums vary depending on your clients' age and the cost of the trip they want to insure. While important, travel insurance is often overlooked by holidaymakers. In the UK alone, one in five — roughly six million people a year — do not have travel insurance when they go on holiday.<sup>12</sup>

#### **Travel Medical Insurance**

Travel medical insurance plans are specially designed to protect your clients in the event of an illness or injury when they're travelling outside of their country of residence. This type of cover includes a wide range of medical benefits, providing protection and support should a health problem arise.

#### International Private Medical Insurance (IPMI)

IPMI provides long-term cover to people living or working outside of their home country, typically for one year or longer. IPMI plans are ideal for expatriates and their families, individuals with dual residences, multinational employers and more. Since IPMI is designed to provide long-term, worldwide medical cover, it allows your clients to receive and continue treatment wherever they choose.

## **Client Misconceptions**

### "My credit card includes travel insurance, so I don't need another policy."

Many credit cards do not offer protection or reimbursement if your clients are injured or sick while on their trip, and most will only provide cover if the entire trip was booked with the card.

### "I'm covered by my European Health Insurance Card."

The EHIC offers only limited cover and your clients may still have medical bills for care they receive outside of their country of residence. Additionally, for UK citizens, there is no guarantee the EHIC will remain in use following the UK's exit from the European Union.

# *"I will be a resident, so I am entitled to use my new country's health care services."*

The standard of public health care can vary considerably from country to country. International medical insurance is advisable to ensure access to high-quality care.





International Medical Group<sup>®</sup> (IMG<sup>®</sup>) is a leader in global benefits and assistance services. IMG has served millions of members in almost every country, and has the expertise and resources to help you tap into the market and successfully grow your portfolio of international medical insurance products.

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#### **About International Medical Group**

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