



STATE OF

TRAVEL INSURANCE

2019

An exclusive whitepaper produced by:



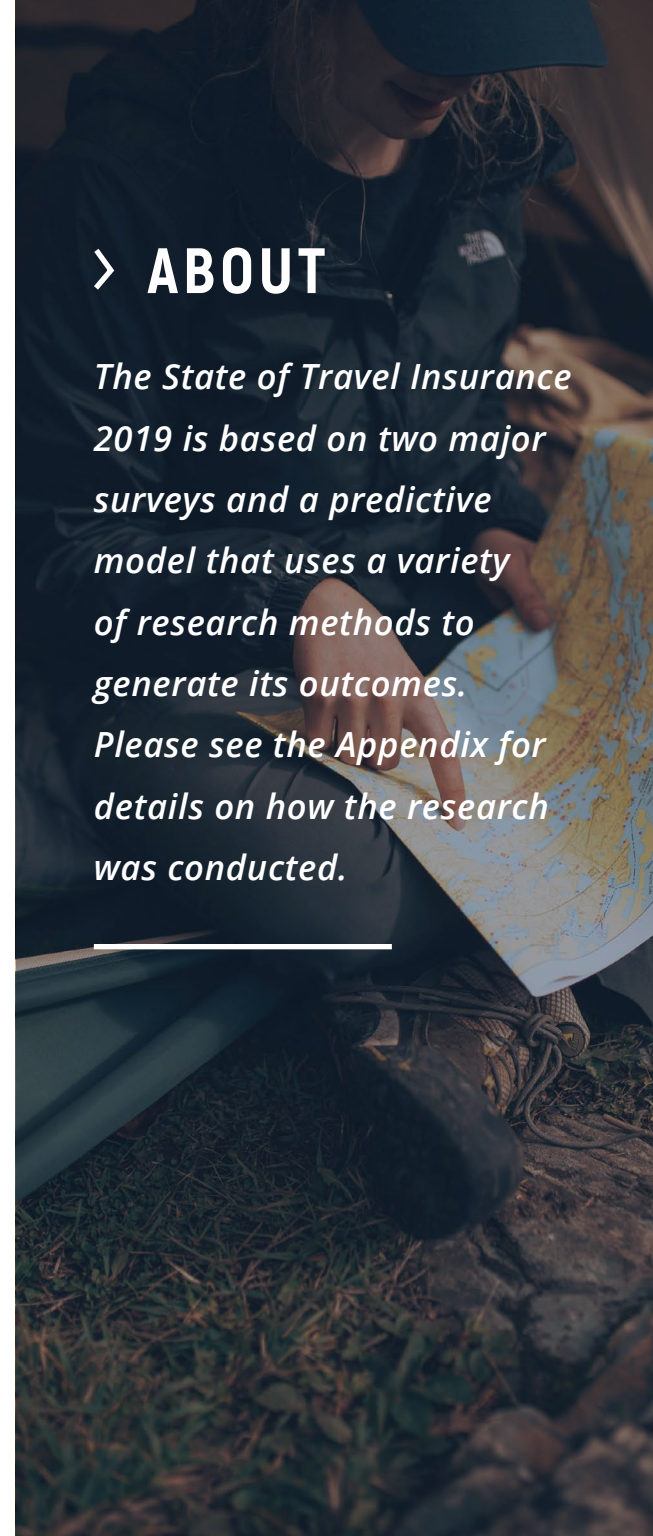
Berkshire Hathaway[®]
Travel Protection

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> ABOUT

The State of Travel Insurance 2019 is based on two major surveys and a predictive model that uses a variety of research methods to generate its outcomes. Please see the Appendix for details on how the research was conducted.



OVERALL

› WE PROJECT + 3.96%

Travel-insurance sales to Americans traveling outside of the country will increase 3.96% in 2019, up from our 2.88% projection for 2018.



WHY?

Reasons for making this projection include:

➤ A slight increase in covered trips in 2019:

One of the most interesting facts from 2018's "Portrait of American Travelers" research from MMGY Global was that while Americans traveled slightly less in 2018 as opposed to 2017 – dropping from 3.0 trips per year to 2.9 trips¹ – the trips they are taking are more expensive and extensive than in the past.

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People plan to spend around 4% more per trip in 2019²

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According to the study, people plan to spend around 4% more per trip in 2019 than in past years.² This trend is particularly marked among Millennial travelers, who



reported the smallest drop in vacation intentions and who said in early 2018 that they intend to spend 15 percent more in travel in 2018 (\$4,577) than they did in 2017 (\$4,099)³. Since more expensive trips tend to be covered by travel insurance, we expect this overall increase in per-trip spending to persist in 2019 and directly translate into an increase in the number of trips covered by travel insurance.

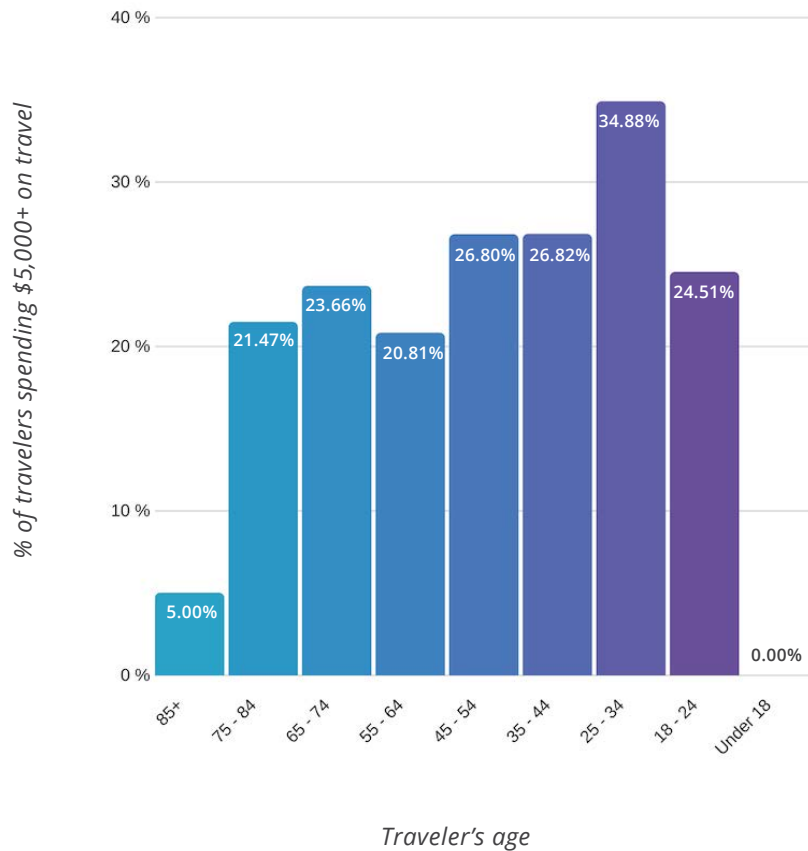
1. Blount, Anna, "MMGY Global Launches the 2018–2019 Portrait of American Travelers Study," accessed Oct. 2, 2018, at <https://www.mmgyglobal.com/news/mmgy-global-launches-2018-2019-portrait-american-travelers-study>.

2. Ibid.

3. Ibid.

Who's spending more on travel?

Travelers ages 25-34 are the age group most likely to spend \$5,000 or more on travel. And a subset of that group, Millennials with children, are even more likely to spend \$5,000 or more.





› More significant increases in higher-priced trips:

In addition to the previously cited research from Portrait of American Travelers, the study looked specifically at luxury travelers and found that they intend to take significantly more trips than the general population – 3.6 versus 2.9 – and they plan to spend around \$9,000 on travel over that time period, compared to around \$4,200 for all travelers⁴. Note that this is not an increase in travel in this category, though it does represent an increase in travel spending per trip. Higher trip costs are a driver of travel-insurance revenue, though not as large a driver as an increase in insured trips. Still, we project that higher-cost luxury travel will directly result in increased travel-insurance revenue in 2019.

“

Almost 40% of 25-34 year-old parents spent more than \$5,000 on travel in 2018 – and 39% of 45-54 year-old parents did the same.

”



› **A relatively stable and slightly growing world economy:**

According to the World Bank, global growth is projected to be around 3.0% in 2019.⁵ Carlson Wagonlit Travel puts the increase at 3.4% – again, about the same as last year⁶. This is slightly less than the amount of global growth projected for 2018, meaning that the impact of global growth on travel-insurance revenue – which is very small to start with – should be about the same or somewhat less in 2019 than it was in 2018.

› **A slight amount of worldwide inflation:**

According to the International Monetary Fund, global inflation should be around 3.4% in 2019, virtually unchanged from 2018's 3.5%. There are few pockets of dangerous inflation, though Africa, central Asia and the Caucasus should experience near double-digit inflation, along with Argentina, Egypt and Iran.⁷ In an inflationary economy, increases in travel insurance revenue should be expected; as long as travel costs increase and all other factors (such as sell-through) remain equal, travel insurance revenue should increase in line, since the cost of travel insurance, and therefore the revenue derived, is a direct function of the cost of travel. However, data from various sources show that increases in travel costs are outpacing the overall global consumer price index⁸.

5. "Global Economic Prospects," accessed Oct. 4, 2018, at <http://pubdocs.worldbank.org/en/331521526414101557/Global-Economic-Prospects-June-2018-Highlights-Chapter-1.pdf>

6. "2019 Global Travel Forecast," accessed Sept. 12, 2018, at <https://www.carlsonwagonlit.com/insights/forecast/>, p. 5

7. "Inflation rate, average consumer prices," accessed Oct. 3, 2018, at https://www.imf.org/external/datamapper/PCPIPCH@WEO/OEMDC/ADVEC/WEO_WORLD.

8. "Travel Price Index – July 2018," accessed Sept. 12, 2018, at https://www.ustravel.org/system/files/media_root/document/Research_Travel-Price-Index.pdf.

› No downward pressures on trip costs globally:

Working hand-in-hand with global inflation is a lack of downward pricing pressures within the travel space. We have seen these pressures at work over the last several years in various sectors: low-cost transatlantic and transcontinental airlines driving down the cost of air travel to and within Europe, Asia, and South America; lodging disruptors like Airbnb driving down worldwide lodging costs; and ride-sharing services like Uber driving down the cost of ground transportation. These companies have reached a level of maturity where they now function inside the systems of many economies, as opposed to functioning outside the mainstream; as a result, their ability to drive down prices has been compromised. In fact, in parts of Europe the cost of an Uber outpaces that of a conventional taxicab⁹. As a result, it seems unlikely that market disruptors, past or present, will act to drive down travel costs in any markets around the world.

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If a 35-44 year old were given \$5,000, the first thing they'd do with it is save it. However, the first thing they'd spend it on is travel.

”

AIRFARES AND OTHER TRANSPORTATION:

The Latvian-based low-cost carrier Primera Air ceased operations in October 2018,¹⁰ former disruptors WOWAir¹¹ and Norwegian Air¹² are in precarious financial positions, and new low-cost carriers are not flocking into the transatlantic and transcontinental markets with the verve they displayed several years ago. Does this mean the end for cheap fares? Not necessarily. But airlines' increased desire for ancillary fees added to a global fuel outlook that does not foresee cost declines means that bargains will be harder to come by – and a bargain fare will become less and less of a bargain by the time

9. BCD Travel, “2019 Industry Forecast,” p. 32.

10. Whyte, Patrick, and Summers, Brian, “Fast-Growing Primera Air Ceases Operations,” accessed Oct. 3, 2018, at <https://skift.com/2018/10/01/fast-growing-primera-air-ceases-operations/>.

11. Summers, Brian, “Onetime Disruptor Wow Air Is Ready for a Reinvention,” accessed

Oct. 3, 2018, at <https://skift.com/2018/09/17/onetime-disruptor-wow-air-is-ready-for-a-reinvention/>.

12. Summers, Brian, “Norwegian Air CEO Is Wait and See on Possible Sale as Competitors Show Interest,” accessed Oct. 3, 2018, at <https://skift.com/2018/07/12/norwegian-air-ceo-is-wait-and-see-on-possible-sale-as-competitors-show-interest/>.

it reaches the checkout line. Add a projected global increase in demand for air travel somewhere in the 5% range and a projected 1% increase in airfares, and the inflationary picture for air travel is set. As for other forms of transportation, high-speed rail continues to make inroads in such diverse markets as France, Morocco, and China, providing a lower-cost, time-saving alternative to flying. More projects are in the works – including an ambitious, Chinese-backed East African venture – but the long lead times and high infrastructure costs will keep high-speed rail from making unexpected inroads into the global transportation picture.

LODGING:

BCD Travel projects that, “Global hotel rates will increase by 1% to 3% in 2019, as demand growth remains just ahead of supply in most markets.”¹³ Consolidation continues worldwide, as established lodging chains buy up competition in emerging markets. In addition, the impact of home-sharing services like Airbnb is being factored into cost and supply projections, making a small supply deficit globally seem less substantial than it

really is. As noted earlier, nothing is exerting downward pressure on lodging rates anywhere in the world. As a result, the cost-increase projections seem warranted.

CRUISES:

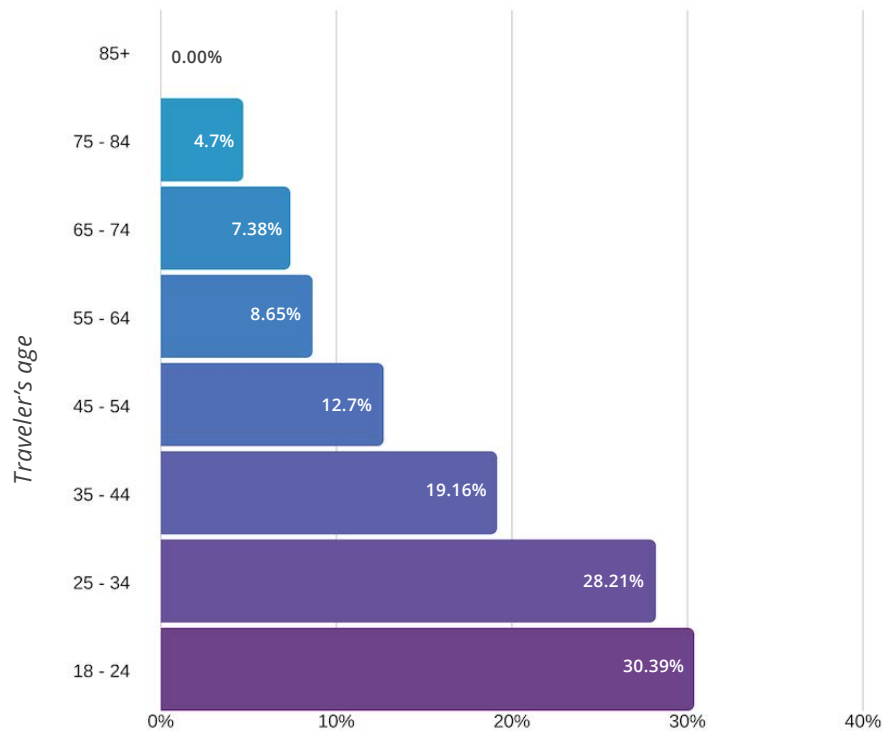
Cruise lines continued to make more per passenger per day in 2018, a reflection of increased ancillary costs as well as higher fares, as more luxury ships roll out. Capacity is expected to increase again in 2019, up by almost 32,000 berths, equating to more than \$2 billion in revenue.¹⁴ However, with almost 4 million more Americans expected to cruise in 2019 compared to 2018,¹⁵ that additional capacity will be largely consumed by new travelers. Our research shows continued strong demand for river and luxury cruises, further increasing revenue, and the lack of any sort of disruptive force in the cruise market, coupled with a fairly uneventful hurricane season, should mean a banner year for cruise lines in 2019 with no downward pressure on costs.

13. BCD Travel, p. 4.

14. “Growth,” accessed Oct. 2, 2018, at <http://www.cruisemarketwatch.com/growth/>.

15. Ibid.

It is absolutely linear: The younger the traveler, the more likely they are to buy more travel insurance in 2019 than they did in 2018.



% of increased likelihood to purchase in 2019 than 2018



➤ **Continued strong demand for travel insurance from Millennials, especially Millennial families:**

In 2018 we saw indications that higher numbers of younger travelers, specifically travelers ages 25-44, had bought travel insurance in the current year and were planning to buy travel insurance in the upcoming year. For 2019 we saw this pattern repeated, without the same intensity as in 2018 but with no doubt about direction.

Also, for 2019 we examined another dimension of the younger-traveler market that plays a huge role in the decision to buy travel insurance: whether a traveler has children. Adding family status to the mix was revelatory.

This chart compares purchase intent for travel insurance in 2019 for three groups: all travelers, Millennial travelers, and Millennial travelers with children. The differences are striking:

TI PURCHASES IN 2019	ALL	MILLENNIALS	MILLENNIALS WITH KIDS
Much more frequently	4.59%	9.33%	16.05%
More frequently	9.53%	14.26%	16.67%
Top-2 Box	14.12%	23.59%	32.72%
About the same as past	62.59%	62.15%	55.56%
Less frequently	2.96%	2.82%	3.09%
Much less frequently	20.34%	11.44%	8.64%
Bottom-2 Box	23.30%	14.26%	11.73%



Millennials with children are far more likely than any other group to say they plan to buy more travel insurance in 2019 – more likely than Millennials, and far more likely than Baby Boomers or travelers as a whole. This group is shaping up as the future of travel insurance, and the good news on that front is that this group of travelers likes to travel a lot. Millennials with kids reported taking almost 50% more luxury trips and 40% more voluntourism trips in 2018 than the entire body of respondents. Almost 47% of parents ages 25-34 say they spent \$5,000 or more on travel in 2018, with almost 7% saying they spent more than \$50,000. This is a crucial market for the travel insurance industry, and as kids and parents age it is shaping up to be *the* market insurers and travel professionals need to focus on. (One other note on the Millennial market: There appears to be a split forming between more affluent and less affluent Millennial travelers. More affluent Millennial travelers want to travel and do; less affluent Millennials want to travel but don't – or at least, not as much. As many Millennials find that lingering debt colors their financial decisions,¹⁶ this is a trend to watch.)

16. "Making Insurance Work For Millennials," accessed Sept. 4, 2018, at <https://go.cakeandarrow.com/insurance-and-millennials-a-coming-of-age>.

Younger travelers are much more likely than older travelers to perceive all types of travel issues as threats. This could be one of the attitudes driving their increased purchases of travel insurance. Both groups view destination safety and terrorism as major concerns.

➤ The perception of a safer world:

According to the State of Travel Insurance consumer research, travelers are slightly less concerned about terrorist incidents and global politics in 2019 than they were in 2018. While the number of travelers concerned about terrorist incidents only fell from 45% to 41%, the number of travelers who consider global politics to be a threat to their travels fell sharply, from 30.3% to 23.7%. Flight issues, vanishing destinations, travel quotas and bans, and climate change were also seen

THREAT	25 - 44 yr olds	55 - 74 yr olds	DIFFERENCE
Safety concerns at my destination	44.89%	16.49%	28.40%
International terrorism	43.31%	19.25%	24.06%
Problems with airlines/ flights	42.61%	13.46%	29.15%
My economic situation	42.25%	12.88%	29.37%
Global politics	41.37%	12.02%	29.35%

as less threatening to travel (though in the cases of vanishing destinations and climate change, Millennials still consider them to be significant threats). What are travelers more concerned with? They're slightly more concerned about disease outbreaks and natural disasters, but by and large, travelers are feeling less threatened by the world in 2019 than they were in 2018. Given the diminution of threats to travel, one may wonder: Shouldn't more travel insurance be sold in times of turmoil, unrest, and uncertainty? Yes, but ... those times also encourage people to travel less, or at least alter the types of trips they take – domestic road trips instead of European vacations or cruises. In general, people buy more travel insurance when they travel more, not when the global travel-safety outlook is more threatening. Travelers are starting to understand that many travel insurance plans do not cover fear of terrorist activities or trips cancelled because someone is afraid of contracting a viral disease. In a strange way, less-tense times can be better for travel insurance sales because they encourage travel by more timid types, who then purchase travel insurance. People who would travel in dangerous times are more likely to be veteran travelers with ingrained attitudes toward travel insurance.

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... all the affected islands are accepting tourists.

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› **A fairly rapid recovery from Caribbean disasters:**

Last year this report stated the hope that recovery in the Caribbean post-hurricanes would be faster than expected, and that hope was borne out. Even though power is still spotty in remote areas of Puerto Rico and some resort properties in the region have not yet reopened, all the affected islands are accepting tourists. More importantly, travelers have indicated they are planning to return to the region, and travel professionals are bullish on the area's return to form as a prime tourist destination. Travel professionals list the Caribbean as their second-most popular destination behind Europe, and consumers say they plan to travel more to the Caribbean in 2019, with younger travelers once more leading the charge. Most Caribbean trips involve cruises and/or resort stays, and a large percentage of those trips are insured, helping contribute to a projected 3.9% increase in travel insurance sales for travelers headed to the Caribbean.

Younger travelers feel more strongly about travel in many ways – not only wanting travel insurance to be more technologically advanced, but also being scared and distrustful when they travel, taking more stuff with them, and taking more risks.

TOP 10 TRAVEL ATTITUDES	MILLENNIALS	MATURES	DIFFERENCE
Travel fills me with joy	68.13%	63.60%	4.53%
I would cancel a trip if I thought it was too dangerous	66.73%	80.29%	-13.56%
I feel free when I travel	60.39%	50.07%	10.32%
I feel safe when I travel	53.17%	55.45%	-2.28%
I understand how travel insurance works	45.60%	46.39%	-0.79%
I would buy more travel insurance if I could customize it to fit the way I travel	43.13%	20.63%	22.50%

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TOP 10 TRAVEL ATTITUDES	MILLENNIALS	MATURES	DIFFERENCE
I want travel insurance I can turn on and off	42.43%	24.31%	18.12%
I behave differently when I travel than when I'm at home	41.55%	26.54%	15.01%
I'm generally distrustful of people when I travel	38.38%	26.15%	12.23%
I wish my travel insurance was as technologically advanced as the rest of my travel experience	37.68%	15.77%	21.91%

Forces driving the sale of travel insurance are tempered by:

- **Lack of new products meeting travelers' needs, both in terms of product and process:**

For the last two years, two of the travel-attitude statements with the highest levels of agreement have

been, "I would buy more travel insurance if I could customize it to fit the way I travel," and, "I wish my travel insurance was as technologically advanced as the rest of my travel experience." This is especially true among the younger travelers who are forming a powerful travel-insurance purchasing bloc. It's fairly clear from the surveys what younger travelers want: high-tech, customizable products that they can buy online, have

excellent reviews, and can be tailored to fit their travel mix, which is heavier on adventure and experiential travel. While some carriers have pushed ahead on the technology front, no carrier has rolled out a product that checks all of younger travelers' boxes. The 25-44 year-old market is more diverse than previous markets; they make travel-related purchases differently than earlier generations, and they look for different things from travel insurance. There is an opportunity to research this demographic, create products that mesh with their expectations of travel insurance, and make inroads into the key future market for travel protection.



➤ Perceptions that many trips don't require travel insurance:

There are two factors at work here: the fact that many travelers are traveling differently than they have in the past, and the attitude that many trips travelers take don't require travel insurance. Those are two different things. Last year we found that older travelers are not just traveling less but taking different types of trips, often trips that don't require international air travel. In this year's State of Travel Insurance survey, 18% of travelers, the same number as last year, said they bought less travel insurance because their trip didn't require it. Another 41% said they didn't buy travel insurance because they didn't need it, or didn't use it last time. If these two factors are considered to be related, this represents a significant percentage of travelers who bought less travel insurance because they determined they didn't need it, or their trip didn't require it. While these numbers have only changed a small amount since 2016, they represent a major obstacle to selling more travel insurance.

› Perceptions that credit cards provide sufficient travel protection:

In the 2019 State of Travel Insurance survey of travel professionals, more than 42% said that credit-card coverage was one of the main reasons they sold less travel insurance in 2018. Consumers echoed this sentiment; almost 14% of travelers said they bought less travel insurance because their credit card provides coverage, an increase of four percentage points from the previous year. While these percentages have not made huge moves since last year, credit-card coverage persists as a reason for not buying and selling more travel insurance.

› Continued “aging out” of core travel insurance buying market:

Last year the State of Travel Insurance survey found that a significant percentage of older travelers planned on buying less travel insurance than the year before. We found more of the same this year; 38% of mature travelers said they bought less travel insurance in 2018 than the year before, while only 4% said they bought more. In addition, only 8% of older travelers



said they plan on buying more travel insurance in 2019, compared to 28.4% who said they plan on buying less travel insurance in 2019. This compares to 23.6% of all Millennials who said they plan on buying more travel insurance in 2019, and 32.7% of Millennials with children. This finding is corroborated by the Portrait of American Travelers, which found that mature travelers intended to take 13% fewer trips in 2018 than 2017¹⁷ – and the POAT finding was corroborated by the State of Travel Insurance survey, which found that mature

17. Blount, “MMGY Global.”

travelers took 10% fewer trips in 2018 than 2017, and two fewer trips per year, or 75% fewer trips, than Millennial travelers. In addition, 33% of mature travelers said they bought less travel insurance in 2018 because they're not traveling as much. At this point, after multiple research projects have confirmed that older travelers are traveling less and taking different types of trips, many of which do not require travel insurance, we can confidently conclude that the travel-insurance market is undergoing a major shift from older travelers to younger. However, shifts of this nature do not take place in an orderly, one-for-one fashion; older travelers are likely to leave

the market at a higher rate than the younger travelers who replace them, until a point is reached where a significant number of older travelers have left the market, at which point younger travelers start filling in the market at an increasing rate.

In many ways Millennials and mature travelers respond alike to reasons why they buy less travel insurance – except when it comes to travel frequency, trip type, credit card coverage ... and forgetfulness.

REASONS FOR BUYING LESS TI	ALL	MILLENNIALS	MATURES
Didn't need it/didn't use it	40.98%	39.87%	38.91%
I'm not traveling as much	32.25%	25.49%	32.76%
Cost of insurance	25.30%	25.49%	24.23%
Type of trip(s)	18.05%	13.07%	20.82%
Credit card has it	13.91%	11.76%	16.04%

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REASONS FOR BUYING LESS TI	ALL	MILLENNIALS	MATURES
Cost of trip(s)	15.09%	12.42%	13.99%
Destinations of trip(s)	13.02%	11.11%	15.02%
I forgot	7.25%	13.73%	5.12%
Change in health	3.99%	2.61%	4.10%
Change in family status	3.55%	1.96%	4.10%
Less international turmoil	2.07%	2.61%	1.37%

➤ **Undifferentiated products aimed at an increasingly differentiated market:**

Last year we noted that, “travel insurers are selling the same product they’ve been selling for decades, in many of the same ways, to many of the same customers.” We said that outside pressures are forcing changes. That those pressures have not really been brought to bear does not reflect on the inaccuracy of the report but rather the slow pace at which change comes to the travel-insurance industry. The needs have not changed;

older travelers that made up the market for current products are buying less travel insurance; younger travelers still want customized products, prefer to buy from aggregators, and are looking for products that look differentiated on comparison sites. It’s hard to say how much revenue insurers are leaving on the table by not creating products that meet younger travelers’ needs; at this point no carrier is at a competitive disadvantage, since no one has a true new-generation product on the market. This remains an unexploited opportunity.



› Core of travelers/trips that do not utilize travel insurance:

The percentage of trips that are not covered by travel insurance has not changed a significant amount over the last five years. It should be apparent by this time that there is a core of trips and travelers that will not be insured, either because of the nature of the trip or the resistance to travel insurance. While the persistent presence of this group does not equate with lower travel-insurance sales, their presence does suggest there is a cap to the market that will only allow for marginal year-over-year growth. While the possibility always exists of a revolutionary product totally disrupting the travel-insurance market, the fact is that even the most innovative insurance products of the last half-decade – Lemonade and Trov come to mind – have not significantly expanded their respective markets, nor have they gained dominant market share in those markets. It's naïve to think that any new insurance product will turn its market upside-down – especially in travel, where distribution is very channel-specific and breaking into lucrative markets such as airlines and cruise lines is difficult.

EUROPE

› WE PROJECT + 8.57%

Travel insurance sales to Americans traveling to Europe will increase 8.57% in 2019, mainly because of stronger demand for European travel.



WHY?

Reasons for making this projection include:

➤ Strong demand for Europe in general:

Travel professionals and travelers say they plan to travel to Europe in 2019, or send travelers to Europe, at levels that approach historical levels – but more importantly, fewer travelers and professionals say they will not travel to Europe. So while the number of travelers who say they will or might visit Europe in 2019 (14.83%) is relatively unimpressive compared to the number who said they would visit Europe last year (22.43%), only 9.43% of travelers actually visited Europe in 2018. In addition, slightly fewer travelers say they will not visit Europe this

Who wants to go to Europe?

Surprise – it’s Millennials with children:

MILLENNIALS WITH KIDS	MILLENNIALS	MATURES
28.39%	21.83%	10.91%



year, and significantly fewer travel professionals say they believe their European business will be down in 2019. It’s tricky, but in general negative measures are better predictors of travel behavior than positive measures. People have hopes and good intentions about travel; they want to go places. On the other hand, if they say they’re not going to a destination, they’re probably not going there. In terms of specifics, older travelers are less likely to visit Europe than younger travelers, and more affluent Millennials and Millennials with children are the groups most likely to say they plan to travel to



Europe. This most certainly goes hand-in-hand with perceptions of a safer world, since most of the incidents that convinced some travelers to stay home took place in Europe, and Millennial families have shown elsewhere they won't travel to a place that they feel is unsafe.

› **Hot destinations:**

“

Iceland, Ireland, Italy, Croatia, Portugal, and Greece ...

”

Within Europe many destinations rank highly among travelers and travel professionals. Iceland, Ireland, Italy, Croatia, Portugal, and Greece were among professionals' choices for the hottest destination of 2019. Obviously there is overlap between general demand for Europe and demand for specific European destinations; demand for Europe is in part the result of demand for specific destinations, and demand for European destinations feeds into demand for Europe in general. But travelers and travel professionals agree that Europe is shaping up as this year's top travel destination.

› Perception of Europe as a safe destination:

Europe has not always been thought of as safe. In the 2017 State of Travel Insurance report, travel professionals were quite cool on Europe, largely because of safety issues. In fact, equal numbers said European travel would be up and down – and that rarely happens for the most popular destinations, such as Europe, the Caribbean, and Mexico. Even though Mexico has had several incidents tarnish its reputation, almost 40% of travel professionals believe it will be more popular in 2019 than it was in 2018. In the case of Europe, the last severe terrorist incidents were more than a year ago; as a result, travelers and travel professionals consider it to be a safe destination to return to, and they plan to return. In fact, there is a 20-point difference between respondents who say they plan to travel to Europe in 2019 versus all travelers on the travel-safety attitudinal statements “I feel safe when I travel,” and “I would absolutely visit a destination after a terrorist incident took place there.”



Safest destinations for all travelers

According to State of Travel Insurance research, seven of the top 10 safest destinations for travelers are in Europe:

1. IRELAND

2. AUSTRALIA

3. ICELAND

4. SWITZERLAND

5. SCANDINAVIA

6. VIRGIN ISLANDS

7. ITALY

8. BENELUX

9. UNITED KINGDOM

10. BAHAMAS

› The continued popularity of river cruises:

River cruises are not the most popular travel type ... yet. In fact, only 5.4% of travelers say they took a river cruise in 2018, but 30% say are likely to take one in 2019. On the other hand, people who take river cruises tend to take a lot of river cruises; the average number of river cruises taken by the average river cruiser is 4.03, up 60% from 2017. This sort of repeat-customer popularity directly translates into demand for Europe, since the majority of river cruises, and the increases in demand for river cruises, are for European river cruises.

“

... only 5.4% of travelers say they took a river cruise in 2018, but 30% say are likely to take one in 2019.

”

18. Carlson Wagonlit, p. 7.

19. BCD Travel, p. 25.

› European currency gains and inflation, resulting in higher trip costs:

As Carlson Wagonlit notes, “We expect the euro to gain 4.8% against the US dollar in 2019, which translates into a 4.8% increase in the purchasing power for Europeans in the U.S. American[s]... buying in Europe would see a comparable drop.”¹⁸ In addition, CWT states, “European growth has moderated from 2017’s robust levels, although prospects for strong growth still remain, supported by accommodating monetary policy and labor market tightening. The UK continues to weigh down regional performance, with Brexit uncertainty creating a drag on both consumer spending and business investment.” Europe is an expensive destination that’s getting more expensive; BCD Travel expects a 1%-2% increase in airfares and 2%-3% increase in lodgings;¹⁹ those numbers, which reflect the business-travel market, may be conservative for many travelers. The slowdown in the low-cost-carrier market and the assimilation of Airbnb and Uber into the lodging and transportation models means that the low-cost European jaunt of a few years ago may cost as much as 10% more. Not only does a higher trip cost equate with a higher travel-insurance premium, but it suggests that more of these trips may be insured.

These factors have been balanced by:

➤ **Decrease in travel to Europe among Boomers:**

It's not that Boomers are cutting back on Europe specifically; they're cutting back on international travel of all kinds. There is a 10-point difference between the percentage of Millennial travelers who say they plan to visit Europe in 2019 and the percentage of mature travelers who say they plan to visit Europe. The number of mature travelers who say they intend to visit Europe continues to decline; two years ago 35% of mature travelers said they planned to visit Europe. (There is a caveat to this, however: Slightly more Boomers that traveled to Europe in 2018 say they plan to go there in 2019. Boomers' travel intent tends to align with actual travel; if this holds up, more Boomers may actually visit Europe in 2019 – a sign that they feel Europe is a safer place to visit than in past years.)



Safest destinations for Millennial travelers with children

According to State of Travel Insurance research, Millennial travelers with children pick Greece as their safest travel destination:

- | | |
|-----------------------|-----------------------|
| 1. GREECE | 6. ICELAND |
| 2. AUSTRALIA | 7. SWITZERLAND |
| 3. ITALY | 8. BAHAMAS |
| 4. IRELAND | 9. SPAIN |
| 5. SCANDINAVIA | 10. PORTUGAL |

➤ **Continuing safety concerns alienating a segment of the traveling population:**

Terrorism is a concern for mature travelers – though interestingly, it's much more of a concern for Millennial parents than it is for mature travelers. What is keeping mature travelers from traveling more is a more general concept – risk. Mature travelers are focused on eliminating risk when they travel. Only 5.5% of mature travelers said they like to take risks when they travel, compared to 27.3% of Millennials. That number is matched by the number of risk-takers among all respondents who said they plan to travel to Europe in 2019. Mature travelers want to be safe when they travel, and avoid risks. Increasingly they are interpreting that as staying in the United States and avoiding international travel altogether.

➤ **Higher prices across the continent:**

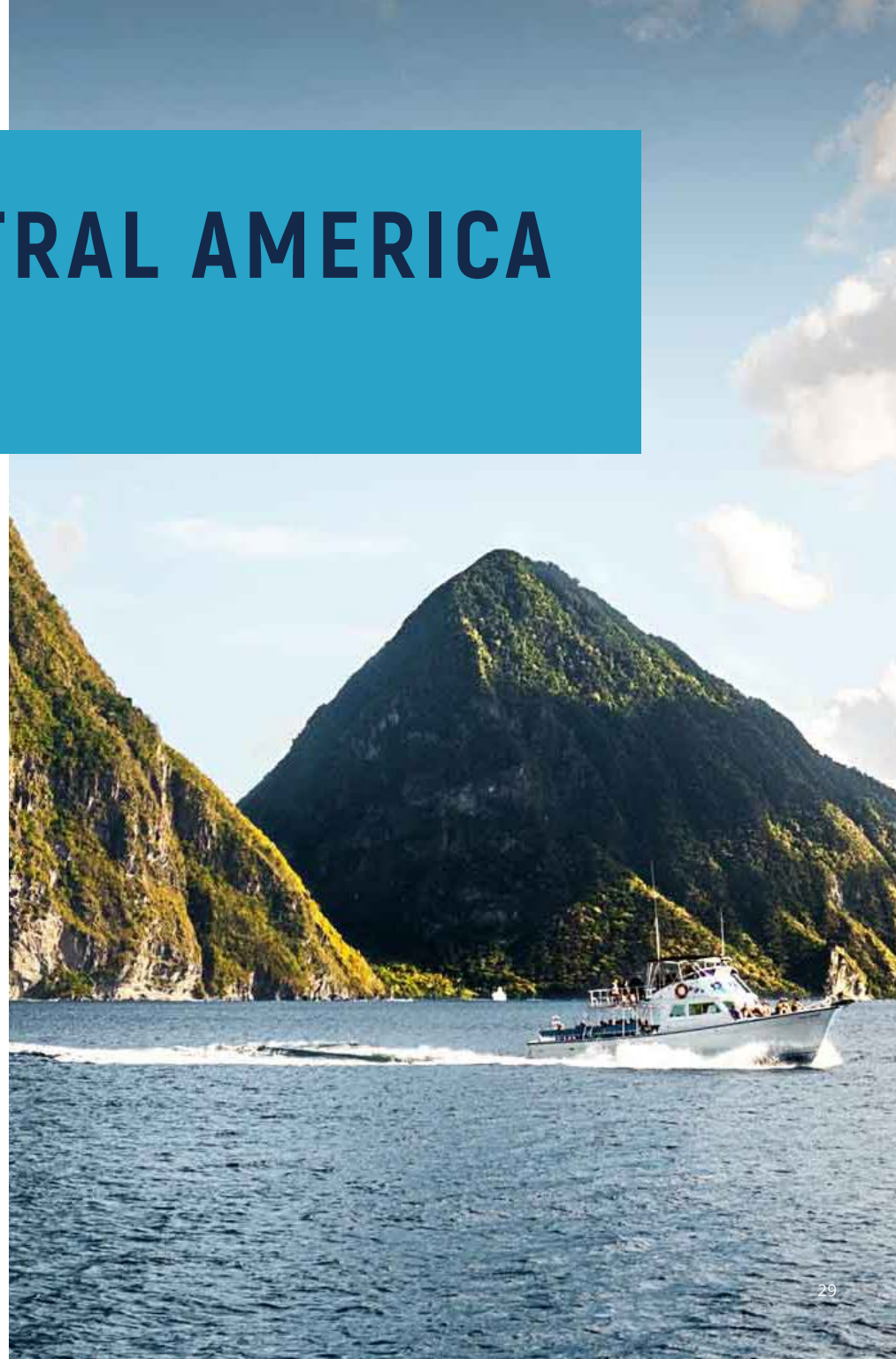
There's no direct indication that people are staying away from Europe because it's too expensive, but there's no question that Europe is an expensive destination for many travelers. Any rekindling of worldwide inflation in 2019 – which is a possibility – could mean more budget-conscious European travelers stay home. And that could mean no European vacation for significant numbers of Millennials with children, the new engine of international travel.



CARIBBEAN/CENTRAL AMERICA

› WE PROJECT + 3.88%

Travel-insurance sales to Americans traveling to the Caribbean and Central America will increase 3.88% in 2019.



WHY?

Reasons for making this projection include:

- **A strong intent to travel to the region among most traveler groups, including Millennials with children:**

Compared to last year, more travelers are saying they plan to visit the Caribbean in 2019, and more travel professionals are saying they are sending travelers to the Caribbean. While the increase in travel intent to the Caribbean is only one percentage point, the Caribbean is the second-most popular destination among travelers. In addition, there's a 12.5 percentage-point difference in intent to travel to the Caribbean between Millennials and

Who wants to go to the Caribbean?

Once more, it's Millennials with children:

MILLENNIALS WITH KIDS	MILLENNIALS	MATURES
32.72%	21.83%	9.33%



mature travelers. This is a much more marked disparity between younger and older travelers than was seen in 2018 and 2017. (In 2017, for instance, 28.9% of mature travelers said they planned to travel to the Caribbean, as opposed to 9% this year.) Millennials with children, and affluent Millennials, are even more likely to travel to the Caribbean than all Millennials. While the Caribbean still has to win back mature travelers, everyone else is onboard with Caribbean travel.

➤ Continued demand for cruises, matched by an increase in cruise-ship capacity:

According to *Cruise Market Watch*, 36 0,000 additional North American travelers will take a cruise in 2019, and most of them will take a Caribbean cruise.²⁰ Meeting that demand, cruise lines are building and launching more ships. One-third of the 15 ships scheduled to launch in 2019 – and almost half the passenger capacity – will be sailing the Caribbean. The combination of increased supply and demand, coupled with the fact that most cruises are insured, means more insured trips to the Caribbean in 2019.

➤ Rapid recovery from hurricanes:

The hope was that the Caribbean would quickly recover from the 2017 hurricanes. For the most part, that has happened. The hardest-hit islands are recovering ahead of schedule, and most tourist facilities and areas are back up and running. In Barbuda, one of the islands that suffered the most damage from the hurricanes, not every roof has been repaired, but all the resorts,

hotels, restaurants, and other tourist activities were up and running by November 2018.²¹ All resorts and tourist amenities in St. Maarten should be open by February 2019. Most tourist facilities and destinations in Puerto Rico will be open in 2019 (and many hotels are set to reopen in January 2019), though adventure travelers may find that parts of the island are not fully rebuilt and recovered.²² In general, the Caribbean is more than 95% rebuilt and recovered from the 2017 hurricanes; that news is encouraging travelers to return, buoying travel to the region and resulting in more insured trips.

“

... the Caribbean is more than 95% rebuilt and recovered from the 2017 hurricanes

”

20. “Growth.”

21. Pike, Joe, “Antigua and Barbuda: One Year After Irma,” accessed Oct. 5, 2018, at <https://www.travelpulse.com/news/destinations/antigua-and-barbuda-one-year-after-irma.html>.

22. “lodging,” accessed Oct. 5, 2018, at <http://dev.puertoriconow.seepuertorico.com/lodging/>.



Safest destinations for mature travelers

According to State of Travel Insurance research, mature travelers (ages 55-74) pick the Virgin Islands as their safest travel destination:

- | | |
|--------------------------|---------------------------|
| 1. VIRGIN ISLANDS | 6. SWITZERLAND |
| 2. IRELAND | 7. ITALY |
| 3. ICELAND | 8. NEW ZEALAND |
| 4. SCANDINAVIA | 9. JAPAN |
| 5. AUSTRALIA | 10. UNITED KINGDOM |

➤ **Perception of safety among key travel constituencies:**

Mature travelers consider the Virgin Islands to be the world's safest travel destination. The Bahamas, Bermuda, Costa Rica, and Jamaica all made the top 20 safest destinations for various constituencies (Millennials, Millennials with children, mature travelers, all travelers). Most travelers consider the Caribbean and Central America to be safe destinations. This encourages travel but doesn't necessarily discourage travel insurance sales, since most travelers choose to buy travel insurance because of their own personal situation, not the relative safety of a destination.

These results are balanced by:

➤ **Mature travelers traveling (and cruising) less:**

Much has been made in this report of mature travelers' stated desire to travel less. A scenario where mature travelers choose the Caribbean over Europe seems plausible, but that does not seem to be happening. Only 9.3% of travelers ages 55-74 say they plan to visit the Caribbean or Central America in 2019, compared to 21.85% of Millennial travelers. The outlook is slightly less bleak for cruises; almost one-quarter of mature travelers say they plan to take a cruise in 2019. That compares to almost 39% of Millennials and 46% of Millennials with children, but is a respectable number taken on its own merits. However, it represents a 1.1-percentage-point decline from last year and an 18-point decline from two years ago, suggesting that the general trend is downward. Given the change in cruise intent, it's reasonable to ask: Are mature travelers soon to be passed by cruise lines as they focus more on younger travelers and families?

➤ **Safety concerns in Central America affecting regional travel:**

It may seem contradictory to state this, with Costa Rica, the Bahamas, Jamaica, the Virgin Islands, Puerto Rico, and Bermuda all performing well in safest-places rankings, but other countries in the region did not perform as well. Cuba, Belize, and the Dominican Republic did not rank highly; in addition, the U.S. State Department has travel advisories out for El Salvador, Nicaragua, Trinidad and Tobago, the Bahamas, Haiti, and Guatemala. For the vast majority of travelers to the region, these travel advisories and low ranking have little impact. For more adventuresome travelers, however, it's conceivable that they could have an impact on travel. This would be most true in the case of younger Millennial travelers looking to take risks and engage in ambitious adventure travel.

ASIA/OCEANIA

> WE PROJECT + 6.24%

Travel-insurance sales to Americans traveling to Asia and Oceania will increase 6.24% in 2019.



WHY?

Reasons for making this projection include:

➤ A projected 6% increase in travel to the region:

Australia projects a 5% increase in tourists coming from the United States in 2019.²³ New Zealand projects a 4.9% increase.²⁴ Japan is expecting a double-digit rise in American tourism coinciding with the Rugby World Cup. Only China's tourism outlook is flat among the major tourist attractions of the region. This does not precisely align with our findings, however, which show steady demand for the region, after a year where reported travel to all destinations was off from 2017 levels. However, like most of our findings, the decrease in travel to Asia and Oceania was largely age-based, with mature travelers visiting the region much less and Millennials not quite picking up the slack.



Who's traveling to Asia?

It's definitely not mature travelers:

MILLENNIALS WITH KIDS	MILLENNIALS	MATURES
20.37%	17.43%	3.42%

23. Tourism Research Australia, "Tourism Forecasts," p. 3.

24. "2018-2024 Forecasts," accessed Oct. 7, 2018, at <https://www.mbie.govt.nz/info-services/sectorsindustries/tourism/tourism-research-data/international-tourism-forecasts/2018-2024-forecasts>.



› Strong growth, with price increases and regional inflation:

Carlson Wagonlit Travel projects 2019 prices to rise at the rate of 3.2% for air and 5.1% for hotel, while ground transportation remains flat²⁵. As their report states, “According to the International Monetary Fund (IMF), Asia growth is forecast at 5.6% in 2019. Inflation has been subdued, but looking ahead, it may rise in Asia with the increase in commodity prices. The sheer growth in tourism and business travel, particularly coming from China (now the world’s largest corporate travel market), will have an overwhelming effect on supply and demand dynamics across [the region].”

› A rebound in Japanese tourism.

Largely driven by the 2019 Rugby World Cup, early estimates put the increase in inbound visitors in the 20% range, but past experience has shown that projected tourism increases tied to sporting events are rarely as dramatic in reality. A 10% increase in inbound tourists from the United States is an optimistic but not unrealistic projection, with a slightly larger increase coming in

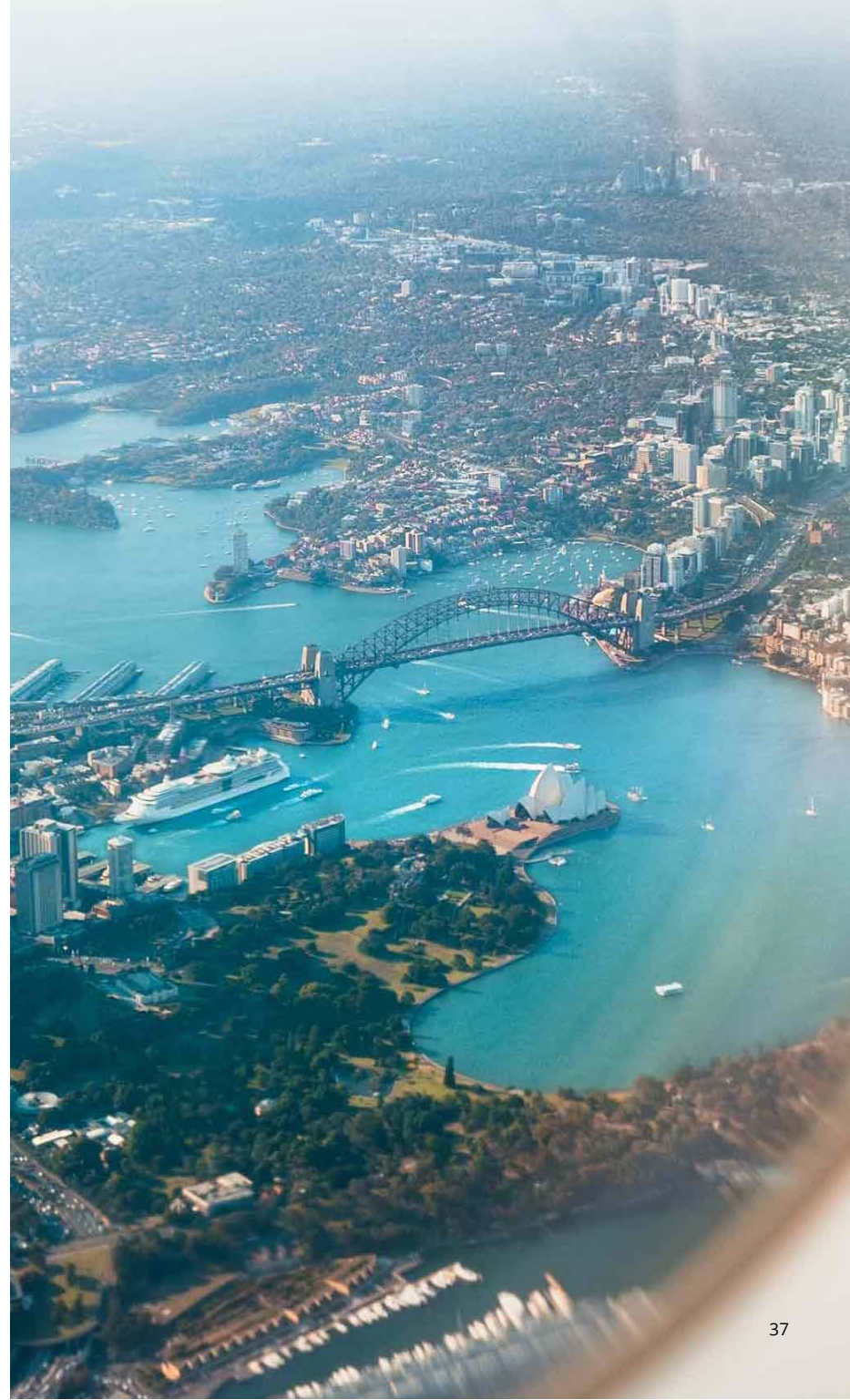
25. Carlson Wagonlit Travel, p. 9.

2020, when Japan hosts the Summer Olympic Games. Japan does not have to make significant infrastructure improvements to accommodate the expected influx of tourists, but the combination of the two athletic events and the added attention they give to Japan as a tourist destination should raise the baseline for Japanese tourism for years to come.

Safest destinations for Millennial travelers

According to State of Travel Insurance research, Millennial travelers (ages 25-44) pick Australia as their safest travel destination:

- | | |
|---------------------|-----------------------|
| 1. AUSTRALIA | 6. SCANDINAVIA |
| 2. GREECE | 7. SWITZERLAND |
| 3. IRELAND | 8. ICELAND |
| 4. ITALY | 9. GERMANY |
| 5. SPAIN | 10. COSTA RICA |



› **A perception that Australia and New Zealand are very safe countries:**

Both countries performed well in BHTP's safest-destinations ratings. Australia was voted the safest destination for Millennial travelers, while Japan and New Zealand made the top 20 for most traveler groups. In a world that's perceived as safe, it's not entirely logical that Americans would travel to Australia and New Zealand solely because they're perceived as slightly safer than other destinations, but should there be an uptick in terrorist activity in Europe, this could shift more tourists to these destinations.

› **The possibility that travel to both Koreas could rebound:**

The ongoing thaw in relations between the two Koreas could mean that North Korea would become more open and welcoming to tourists, particularly American tourists. That would shift the tourism picture in the region, at least for the short term. Currently, Korean tourism is in a bit of a lull. Opening up the north to tourism would change things dramatically.



These are balanced by:

› **Natural disasters affecting Indonesian travel:**

Two years ago Indonesia was one of the world's up-and-coming destinations. Now, that status has been imperiled by a series of natural disasters striking some of Indonesia's most visited destinations, most recently the island of Sulawesi, which was struck by a devastating earthquake and tsunami. The nation's susceptibility to earthquakes, storms, and other natural disasters has affected its position in the safest-places ratings, and could have a major impact on American tourism to the region, especially when there are other destinations, either close to the U.S. or near Indonesia, that are not as susceptible.

› Competition for the travel dollar:

There is competition for the travel dollar from closer, less-exotic destinations like Europe, the Caribbean, and the U.S. In a world where people are taking slightly fewer trips, they have to make choices on the destinations they want to visit. Distances and travel times make Asia a very intentional destination; there is little impulse travel to Asia. Currently the trend toward fewer but more expensive vacations bodes well for Asia; however, sudden economic shifts could convince American travelers to shift to closer, less-expensive destinations, adversely affecting Asian travel.

› Restrictions of travel to some popular Thai destinations.

In October 2018 the Thai government closed the popular Maya Bay beach to allow it to recover from excess tourism. Phuket Beach may be facing the same sort of situation in 2019. Overtourism is a particular issue in Thailand, where excesses at popular tourist areas are not uncommon and the ecosystem is fragile. Over the long term, the Thai government's moves are the right ones. Short-term, they will be felt in the amount of American tourists visiting Thailand.

› Ongoing tension between the United States and China:

The U.S. and China are not exactly seeing eye-to-eye on trade and other issues. Any worsening of the relationship between the two countries, or any escalation of American rhetoric toward China, could be enough to convince American tourists to stay away. American tourism to China has been declining, off 20 points year-over-year in the latest State of Travel Insurance survey. Any mutual decline might actually be more of a concern to the U.S. tourism industry, which saw more than 3 million Chinese visitors in 2018.



SOUTH AMERICA

› WE PROJECT + 2.9%

Travel-insurance sales to Americans traveling to South America will increase 2.9% in 2019.



WHY?

Reasons for making this projection include:

➤ Interest in travel to Argentina, Chile, and Brazil:

All three destinations were more popular with American tourists in 2018, according to our research, and interest in and demand for the region in 2019 is at 2018 levels among core constituencies.

➤ Strengthening economies:

As Carlson Wagonlit Travel notes, “Growth in Latin America and the Caribbean is projected to accelerate moderately, from 1.7% in 2018 to 2.3% in 2019, according to the World Bank, aided by the region’s large commodity exporters, including Brazil, Chile, Colombia and Peru. While Brazil and Argentina have emerged from recession, many challenges remain. Brazil’s 2015-16 recession resulted in the slashing of corporate travel budgets in 2017; however, with recovery comes an expectation of moderate volume-based increases in air in 2019.”²⁶



Who’s traveling to South America?

Mature travelers are not showing interest in travel to the region:

MILLENNIALS WITH KIDS	MILLENNIALS	MATURES
25.31%	14.44%	2.23%

➤ **Continued demand for Ecuador and Peru as travel destinations, especially for younger adventure travelers:**

“

Around 20% of visitors to the region visit either Ecuador or Peru.

”

Ecuador and Peru remain two of the most-visited South American destinations. Around 20% of visitors to the region visit one of those two countries, and those percentages have remained stable while other countries in the region exhibit volatility. Despite some travel restrictions to Machu Picchu and concerns about overtourism in the Galapagos, these countries have maintained their travel gains and continue to help drive travel demand for the region. While we predict relatively flat demand for these destinations in 2019, we anticipate significant spikes in demand for Ecuador in 2020, when a new Silversea ship launches specifically for cruises to the Galapagos.

➤ **A strong U.S. dollar:**

This is strong against the currencies of Argentina (up 10.4% against the peso) and Brazil (up 6.4% against the real).²⁷



➤ **Signals that low-cost airlines may begin to make inroads:**

This is led by Norwegian Air, which has inaugurated low-cost flights from some of its hubs to Buenos Aires and other South American destinations. While not a true disruptor yet for the U.S.-to-South-America airline market, it has that potential.



➤ **Significant inflation, primarily in Argentina:**

The inflation rate in Argentina is expected to be 31.8% in 2019. While this is an internal inflation rate in the sense that the value of the currency as pegged to the dollar means that dollar-based prices will not increase at the same rate as peso-based prices, travel to Argentina will still be more expensive for Americans in 2019.

Balanced by:

➤ **A 1.5% decrease in trip costs:**

This is driven by lower costs for lodging and airfares. According to CWT, “We project prices in the region to decrease by 2% for air, 1.3% for hotel, while ground transportation remains unchanged²⁸.”

➤ **Inflation in Argentina and other countries:**

Economic uncertainty could lead to political instability, which would in turn lead to a decline in tourism.

➤ **Political instability in Venezuela and Brazil:**

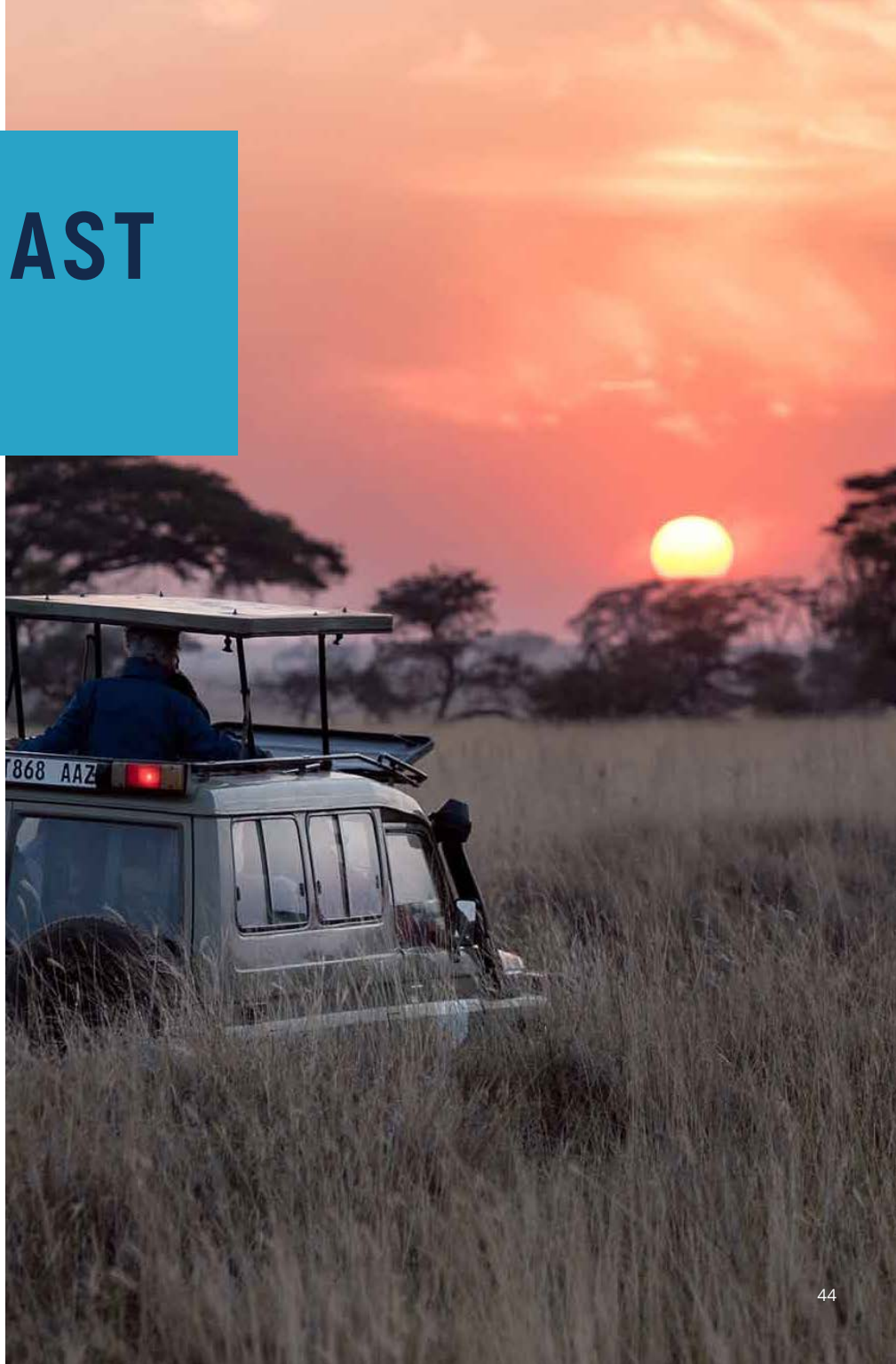
Venezuela is a familiar story. The outcome and aftermath of Brazil’s presidential election could have significant impacts on tourism to the region. If the Trump-like Jair Bolsonaro is able to incite the same sort of xenophobia that Trump has engendered in the United States, and if that comes with travel restrictions, Brazilian tourism could be significantly and negatively affected. This would be a severe blow to a country that is slowly rebuilding its economy and tourism program after a series of disasters culminated by the 2016 Rio Olympics.

28. “Global Travel Forecast,” p. 11.

AFRICA/MIDDLE EAST

› WE PROJECT + 2.77%

Travel-insurance sales to Americans traveling to Africa and the Middle East will increase 2.77% in 2019.



WHY?

Reasons for making this projection include:

➤ Increased economic development across the continent:

In East Africa, Ethiopian Airlines is spearheading an ambitious plan to create a true pan-African airline network, with investments in Zambia Air and Nigeria Air. Also, an ambitious, China-funded high-speed rail line promises to connect seven countries, from Ethiopia to Kenya. In North Africa, Morocco has opened a new high-speed rail line from Tangier to Kenitra, part of a new railway which will eventually link Tangier with Casablanca. And, according to BCD Travel, “Hotels are opening fast in West Africa’s largest cities, including Abuja, Lagos, and Accra, thanks to the improving fortunes of the Nigerian and Ghanaian economies.” These infrastructure developments are the necessary building blocks for increased tourism.



Who’s traveling to Africa?

Once again, Millennial travelers are doing the bulk of the travel to Africa and the Middle East:

MILLENNIALS WITH KIDS	MILLENNIALS	MATURES
16.67%	9.33%	0.53%

➤ **Increased demand for travel in Qatar in advance of the 2022 World Cup:**

We have seen in other places around the world – Rio de Janeiro, Russia, and South Korea, for example – that huge sporting events don't always translate into significant, long-lasting improvements in tourism. However, the 2022 World Cup in Qatar may be an exception. First, the current level of tourism is small enough that World Cup-fueled increases are almost inevitable. Second, Qatar is making significant infrastructure improvements in advance of the World Cup, making it a more tourist-friendly destination now and for the years heading up to the World Cup. The next three years are dry runs for Qatari travel. The region should only benefit from the improvements.

➤ **Strong baseline support for travel to Israel:**

Israel will always be a bucketlist destination for some travelers, and the relative stability of the region along with an aggressive marketing campaign has encouraged travel to Israel.

➤ **Perception of the region as becoming safer:**

The “terrorist effect” driving travel-insurance purchases has decreased somewhat as terror activity and violence has been focused more on war-zone areas like Iraq, Syria, and Afghanistan. As Carlson Wagonlit Travel states, “North Africa experienced the strongest international tourist arrivals in 2017, compared to previous years. North African growth was mostly attributed to Tunisia, which recovered after the 2015 terror attacks.”





This is balanced by:

➤ **Flat trip costs to the region:**

Carlson Wagonlit Travel predicts that hotel rates in the region will fall 1.5%. BCD Travel predicts they will rise 1%, while PriceWaterhouseCoopers predicts an increase for southern Africa.²⁹ BCD predicts flat airfares; CWT predicts airfares will fall more than 2%, while noting significant demand for air travel. The bottom line is that little or no changes in trip cost should be projected for the region, though there will be increased supply of all travel components in 2019.

➤ **Political instability and violence throughout the region driving down travel demand:**

In late September 2018 the State Department had active level-two and above travel warnings for Afghanistan, Algeria, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, the Congo (Republic and Democratic Republic), Egypt, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Iran, Iraq, Israel, Ivory Coast, Jordan, Kenya, Lebanon,

29. "Hotels outlook: 2018–2022 Positioning for future growth," accessed Oct. 8, 2018, at <https://www.pwc.co.za/en/assets/pdf/hotels-outlook-18-2022.pdf>

Libya, Mali, Mauritania, Niger, Nigeria, Saudi Arabia, Sierra Leone, Somalia, South Sudan, Sudan, Syria, Tanzania, Togo, Tunisia, Uganda, Yemen, and Zimbabwe.³⁰ It's almost easier to state the countries that are not under a travel advisory of level two or above (Angola, Benin, Botswana, Djibouti, Gabon, Gambia, Ghana, Lesotho, Liberia, Malawi, Morocco, Mozambique, Namibia, Rwanda, Senegal, South Africa, Zambia, and the United Arab Emirates). Basically the entire region is under some sort of travel warning. Eventually that will drive down demand for the region.

➤ **A decline in travel to South Africa:**

This is because of negative publicity from Cape Town's water crisis, among other factors. While the government has tried to spin the drought and the subsequent crisis as an opportunity to create a sustainable tourism model, the impacts on tourism seem to go deep.³¹ Also, the continued financial difficulties of South African Airlines add uncertainty to the transportation picture.

➤ **The possibility of an Emirates/Etihad merger increasing the cost of air travel to the Emirates:**

Uncertainty around the future of Etihad Airlines has clouded the transportation picture in the region through much of 2018. However, if a rumored Emirates/Etihad merger were to come to pass, the end result could be fewer flights but more profitable flights to the region, as the elimination of route duplication and competition would enable the unified carrier to charge less. Currently almost every Etihad flight copies an Emirates route;³² eliminating that duplication would be a boon for the surviving carrier.

30. "Alerts and Warnings," accessed Oct. 8, 2018, at <https://travel.state.gov/content/passports/en/alertswarnings.html>.

31. "Hotels outlook," p. 19.

32. "Why An Emirates-Etihad Merger Could Be The Airline Deal Of The Decade," accessed Oct. 8, 2018, at <https://www.ausbt.com.au/why-an-emirates-etihad-merger-could-be-the-airline-deal-of-the-decade>.

CANADA & MEXICO

› WE PROJECT + 2.22% CANADA
+ 2.38% MEXICO

Travel-insurance sales to Americans traveling to Canada and Mexico in 2019 will increase 2.22% for travels to Canada and 2.38% for travels to Mexico.



WHY?

In the case of Canada, reasons for making this projection include:

- **A Canadian dollar that is projected to be as much as 33% weaker against the American dollar in 2019:**

While the Canadian economy has been doing well, the American economy has been doing better, resulting in a more favorable exchange rate for U.S. travelers to Canada. And unlike some vacation destinations, where a more favorable exchange rate translates to lower trip costs and decreases in travel-insurance sales, a lower exchange rate actually favors increased U.S. travel to Canada, since that's one of the reasons Americans travel to Canada in the first place.

- **A 5.7% increase in airfares to Canada and a 3% increase in lodging costs,³³ leading to a 4% increase in total trip cost.**



Who's traveling to Canada?

While more mature travelers are interested in travel to Canada than travel to a more remote destination, they're still outpaced by Millennials:

MILLENNIALS WITH KIDS	MILLENNIALS	MATURES
33.00%	23.06%	8.28%

33. "2019 Industry Forecast," p. 49.

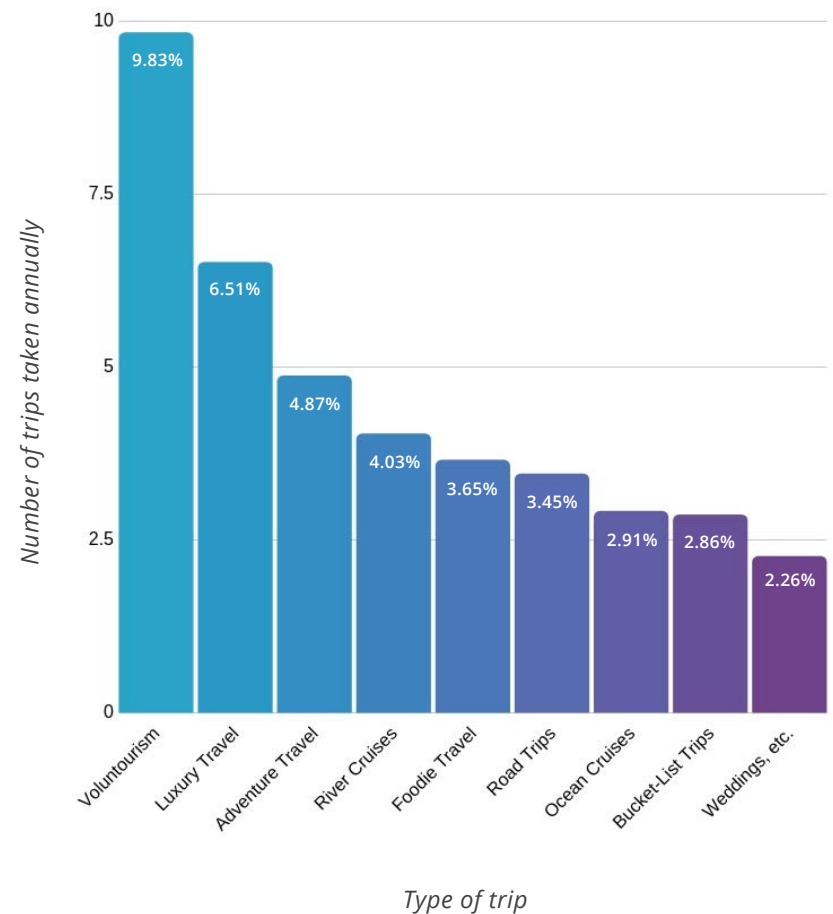
➤ Canada's continued popularity as a destination for adventure travel:

Survey results put Canada at or near the top of the list for adventure and bucket-list travel from all respondents in the State of Travel Insurance survey. Independent reports have also rated Canada highly as an adventure-travel destination. The combination of accessibility, affordability, and adventure-travel-friendliness sets up Canada perfectly as a destination for the key Millennial and Millennials-with-children markets.

➤ Increased road-tripping:

2018 may have been the Year Of The Road Trip, but intent to take road trips remains strong. The combination of affordability and distinctiveness (helped along by the selection of Montreal as one of the world's top tourist destinations by *Forbes*) will continue to make Canada extremely popular with road-trippers.

People who take luxury trips, trips to volunteer their time, adventure trips, and river cruises take a lot of these types of trips.





› **Increased demand from mature travelers:**

Along with the United States, Canada was one of the destinations that did not see a significant falloff in travel intent from mature travelers.

“

... if Mexico's image continues to suffer among travelers, Canada could be the beneficiary...

”

In some respects, Canada is the perfect destination for mature travelers in that it's close, safe, affordable, and different. Especially if Mexico's image continues to suffer among travelers and travel professionals, Canada could be the beneficiary of mature travelers' desire to keep traveling, yet stay close to home.

This is balanced by:

› **Affordability of travel to other destinations:**

To the extent that travel to Europe is seen as affordable, that perception will have an impact on the number of

Canadian vacations that aren't pure road trips. There is a segment of American travel to Canada that all other things being equal would be travel to Europe; from that standpoint, anything that makes it easier or cheaper for Americans to travel to Europe will have a negative impact on Americans' travel to Canada.

➤ **The perception of other destinations as safe, taking away some of Canada's competitive advantage:**

Along those lines, when Europe was seen as unsafe Canada benefited. Last year's survey findings indicated that older travelers were fatigued and frustrated by flight hassles and security concerns, and that was one reason why they weren't traveling as much, or were choosing to take different kinds of trips to different destinations – including Canada. Again, anything that changes that perception will adversely affect Canadian travel.

➤ **The lack of a true disruptive air carrier exerting downward pressure on the market:**

As BCD Travel notes, "Air Canada and WestJet are unlikely to risk entering a price war, even as WestJet launches ultra-low fare airline Swoop, as this could distract them from their focus on profitability."³⁴ Low-cost air travel to and within Canada seems quite a ways off.



34. Ibid., p. 49.

WHY?

In the case of Mexico, this is driven by:

- **A stronger Mexican peso against the American dollar driving up trip costs.³⁵**
- **The continuing popularity of Mexican resort areas for honey/babymooners, destination weddings and bachelor/ette parties:**

One-quarter of travelers and about one-third of travel agents said there will be more of this travel type in 2019, and Mexico is a prime destination. This is particularly a significant travel type for Millennials, and they predict taking about 10% more of these types of trips than the general traveling public. The downside: This type of travel is very hit-or-miss, and most travelers (even Millennials) don't take many of these types of trips in a given year.



35. Ibid.

This is balanced by:

➤ **A 2% increase in airfares to Mexico and a 2% increase in lodging costs, leading to a 2% increase in total trip cost.³⁶**

➤ **The perception of Mexico as unsafe:**

Mexico was in the bottom 25 of safest destinations for all groups. Twenty-eight percent of all travelers (compared to 70% last year) and 51% of travel professionals (compared to 33% last year) said they were either not traveling to Mexico in 2019, or would not recommend that their customers travel to Mexico in 2019. This is important because intent to travel is only acted on sometimes, but intent to *not* travel is almost always acted on. Compared to past years, the number of travelers who might consider going to Mexico is lower, and that will have negative impacts on Mexican travel.

Mainly because of safety issue misperceptions, a majority of travel professionals believe their bookings to Mexico will be down in 2019:

SOMEWHAT BELOW AVG.	FAR BELOW AVERAGE	BOTTOM-TWO BOX
31.67%	19.51%	51.18%

➤ **Increased risks of hurricanes and other severe storms due to global warming:**

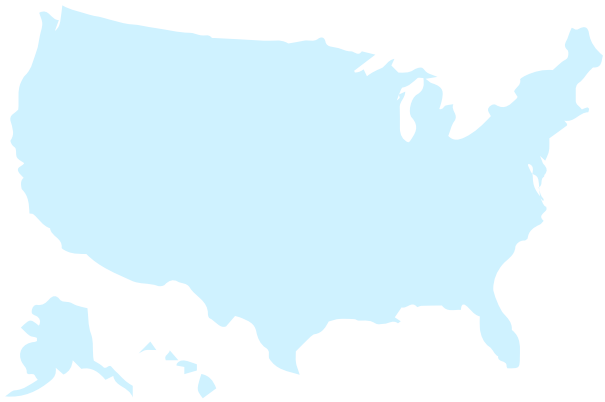
Hurricanes are a luck-of-the-draw thing, but Mexico has been more susceptible to storms over the last several years, likely due to the effects of global warming. The 2018 season seems to have left Mexico unscathed, but more hurricanes and a more active weather pattern in the Gulf of Mexico will eventually mean more storms hitting the area. Mexico is prepared – its building codes in storm-prone areas are some of the toughest in the region – but its tourist industry remains vulnerable to the aftermath of storms.

36. Ibid., p. 31.

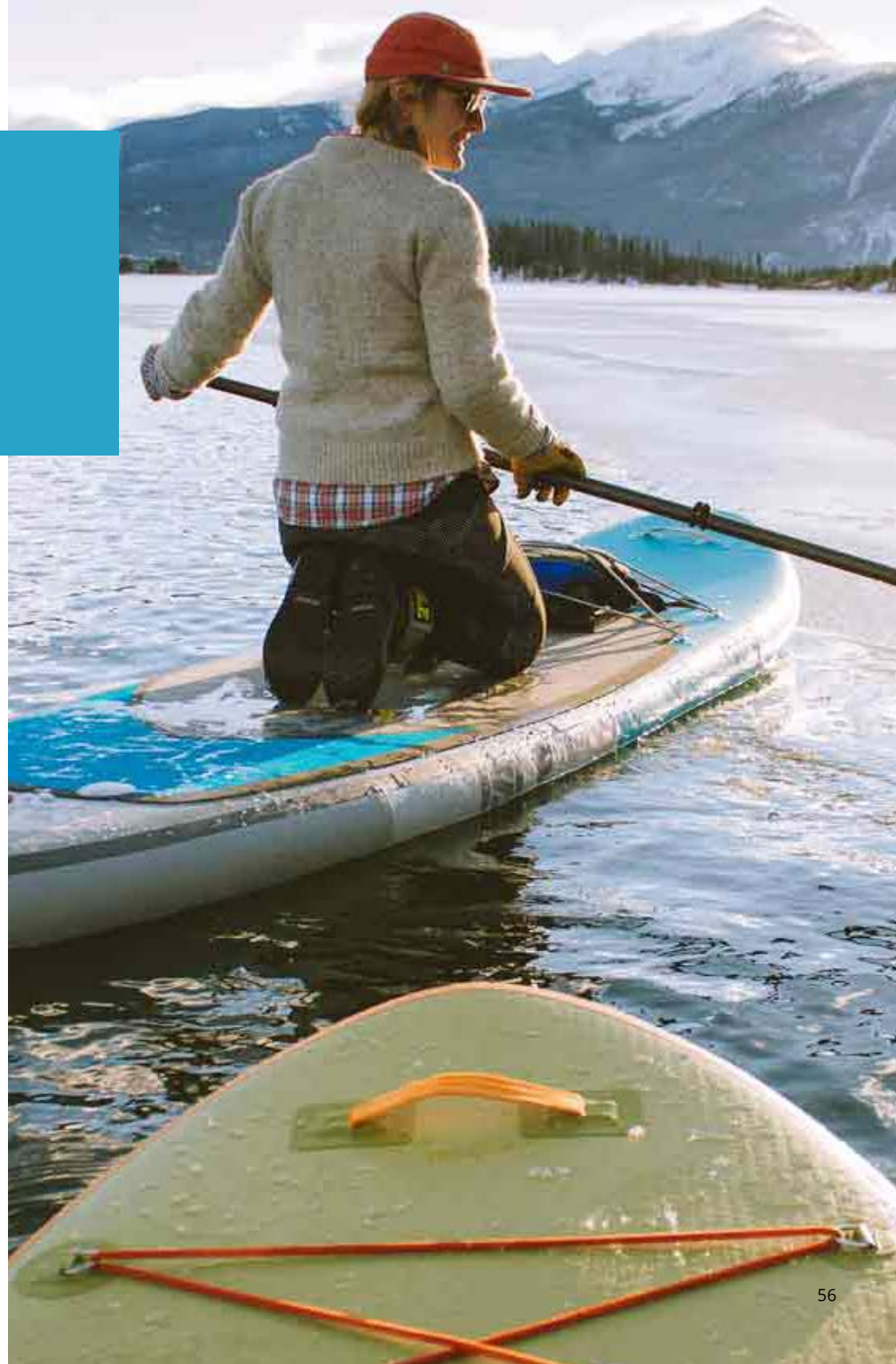
UNITED STATES

› WE PROJECT + 4.07%

Travel-insurance sales to Americans traveling within the United States in 2019 will increase 4.07%.



(Note: Due to a lack of credible longitudinal data, calculations on sales of travel insurance to Americans traveling within the U.S. are not figured into the data on overall market sizes and growth stated earlier in this report.)



WHY?

Reasons for making this projection include:

› Higher airfares:

CWT projects U.S. airfares will increase 1.7%; BCD Travel puts the figure at 1%. Either way, Americans should expect to pay more for air travel, as fuel costs increase and airlines extract more revenue per passenger from ancillary fees, surcharges, and other means. As disruptors in the space take a bit of a hiatus (in anticipation of the debut of Moxy sometime in 2020), airlines will take and consolidate revenue gains.

› Higher fuel prices:

The price of aviation fuel increased 50% in 2018, with more increases likely in 2019, pressuring airfares. As CWT notes, "According to the U.S. Energy Information Administration, jet fuel demand growth will outpace all other petroleum products in the coming decades, which will lead aviation fuel prices to increase at a steeper



incline, putting even more pressure on airlines."³⁷ Other fuel is expected to increase 8%, increasing the cost of bus and train travel.

› Higher lodging costs:

Hotel chains are consolidating, and the result is higher prices. BCD Travel expects a 3% increase to U.S. lodging costs in 2019,³⁸ while CWT puts the increase at 2.7%.³⁹ Either way, American travelers will be paying more for lodging in 2019.

37. "Global Travel Outlook," p. 14.

38. "Industry Forecast," p. 50.

39. "Global Travel Outlook," p. 67.

➤ More Boomers sticking closer to home:

The SOTI consumer survey showed once more that mature travelers are less interested in traveling overseas, and more interested in traveling domestically, taking road trips and other low-pressure vacations.



This is balanced by:

➤ A smaller number of insured trips:

The latest “Portrait of American Travelers” shows Americans taking about one trip less per traveler in 2018 when compared to 2017. These sorts of retrospective judgments don’t always lend clarity; many times the State of Travel Insurance has showed that people traveled less in the current year than they did the year before, yet overall travel continues to increase. However, it is conceivable that there could be less travel this year – and if the Portrait of American Travelers is to be taken at face value, people are taking fewer trips but more expensive trips. That would seem to leave out the inexpensive trip – such as a domestic vacation.

Who’s traveling domestically?

Here’s where mature travelers come to the forefront:

MILLENNIALS WITH KIDS	MILLENNIALS	MATURES
79.01%	73.59%	74.51%

➤ Fewer vacation days taken:

In 2017 the fact that Americans don't use all our vacation days was front-page news. In 2018 it moved off of the headlines – but Americans still aren't using all their days off. The trend is improving, though; according to Project: Time Off, fewer Americans – but more than half of all American workers – are leaving vacation time on the table. In addition, Americans used nearly a half-day (.4 day) more of vacation than the previous year⁴⁰. Gains in vacation days are incremental – and the changing face of full-time employment might mean that fewer Americans are taking any sort of vacation at all. Regardless of how the numbers shake out, it's clear that Americans could be vacationing far more than they actually are.

40. "State of American Vacation 2018," accessed Oct. 8, 2018, at <https://projecttimeoff.com/reports/state-of-american-vacation-2018/>.

➤ Potential for domestic civil unrest:

At this point, it does not seem hyperbolic to suggest that there is potential for violent domestic unrest in the wake of the 2018 congressional elections. The number of foreign travelers to the U.S. has already dropped around 10% since 2017, mainly because of travel bans and concerns about prejudicial treatment. The same thing could happen to domestic travelers.



APPENDIX:

RESEARCH DETAILS

› Quantitative Research:

In preparation for this report, travelers and travel professionals were invited to take a survey asking about their travel habits, their travel business, their experiences in 2018, and/or their expectations for 2019. Eight hundred travel professionals and 2,617 travelers responded to the surveys. While the confidence level is considerably greater for the consumer survey ($\pm 2.52\%$) than the travel-professionals survey ($\pm 4.52\%$), the confidence levels in both surveys are sufficient to draw large-scale conclusions from the results.

› Other Statistical Sources:

The travel-and-tourism statistics from the Department of Commerce (<http://travel.trade.gov/research/programs/i92/index.html>) provide a month-by-month report of U.S. citizen travel to international regions. Because these statistics are historical, monthly, valid, and detailed,

they provide a highly accurate picture of Americans' travel patterns over time and help us accurately project Americans' travel habits – and travel-insurance buying preferences – in 2019.

› Literature Review:

Sources consulted in preparing this report included travel-trend reports from the Global Business Travel Association, Carlson Wagonlit Travel, AARP, IATA, Cruise Lines International Association, BCD Travel, Deloitte, PriceWaterhouseCoopers, and cruisemarketwatch.com. MMGY Global's "Portrait of American Travelers" was particularly helpful.

› Building the Model:

Data from these sources were used to create detailed models of trip costs to various regions, to extrapolate the Commerce Department statistics, and to make projections on percentage of covered trips, traveler ages, and travel-insurance cost as a percentage of trip cost. These projections were used to calculate total 2019 travel-insurance sales, and those figures were compared against last year's figures to chart percentage change.

QUESTIONS? ✓

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