What Tour Operators and Adventure Travelers Need to Know About Travel "Risk Mitigation" Insurance

Travel insurance and assistance whitepaper prepared for, and in collaboration with, the Adventure Travel Trade Association by Daniel L. Richards, CEO, Global Rescue (www.globalrescue.com)

Introduction

Since 1687 when Edward Lloyd opened an English coffee house (creatively named Lloyd's of London) and began brokering insurance to merchants importing goods from the American colonies, people have purchased insurance to protect themselves from risk. In post-9/11 America, no insurance sector has experienced greater popularity than travel insurance. Prior to the attacks on the World Trade Center, fewer than 10% of Americans purchased travel insurance. Today, by some estimates, over 30% purchase a risk mitigation product prior to departure. The question is: despite their growing popularity, how good are these products at protecting us from the risks we face when traveling?[1] Given the remote locations frequented by adventure travelers and the sometime risky activities they participate in, this question is particularly relevant for adventure travelers and tour operators alike.

To risk or not to risk?

Travelers face a myriad of risks, from annoyances such as lost baggage and cancelled trips, to catastrophic events such as terrorist attacks, motor vehicle accidents and exposure to unfamiliar viruses and bacteria. Although many of us are irritated by "non-critical" events like missing luggage or a cancelled trip, studies suggest that Americans are overwhelmingly concerned about protecting themselves from catastrophic risk. A recent survey by a major insurer indicated that the greatest fear of 74% of American travelers is a medical incident while traveling. An overwhelming 92% would like to have immediate access to U.S. quality medical care and the option to be transported home to receive treatment.[2] These concerns are legitimate, since according to the *Merck Manual*, nearly 1 in 30 will require some type of emergency care while traveling and medical evacuations can cost over $200,000.[3]

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[1] "Americans spend more than $1 billion a year on travel insurance," *The U.S. Travel Insurance Association*, May 2005, www.ustravelinsurance.org

[2] The Chubb Insurance Company, March 1, 2005.

[3] Robert M. Bogin, M.D., Andrew J. Fletcher, The Merck Manual of Diagnosis and Therapy, 17th Edition, Section 20, Chapter 283.

It would seem that travel insurance is a good alternative for protecting travelers from risk. But is it?

What is travel insurance?

Despite their names, the actual benefits of travel insurance are anything but obvious. In its basic form, travel insurance is designed to protect the traveler from the *economic* impact of unforeseen expenses incurred while traveling. This means that emergency hospital bills, lost luggage and possibly even a medical evacuation will be reimbursed if receipts are submitted. However, what most travelers don't realize is that travel insurance is *secondary* (subrogated, in insurance parlance) to other insurance they might already have. For instance, if you receive emergency medical treatment in developing country and that care is covered by your health insurance (most American health insurers cover emergency medical care overseas), your health insurer pays, *not the travel insurance company*. If your health insurance specifically excludes treatment outside the U.S. or you don't have health insurance, purchasing travel insurance is a must.

The limitations of travel insurance

So why buy travel insurance if you already have health insurance? If you've read your health insurance policy and know you are covered abroad, maybe you shouldn't. However, what if you don't want to be treated by the locals and want to be transported home? Health insurance almost never provides reimbursement for medical evacuations. What if you need to speak with a physician who is knowledgeable regarding a specific medical condition? Insurers don't employ doctors either. While travel insurers like to advertise large numbers for medical evacuation coverage ($1,000,000+ is common) and emergency "hotlines" to render assistance, you should carefully examine the policy to determine what is actually being offered.

Unfortunately, insurers are simply not set up to provide good emergency services. Though their brochures may lead you to believe otherwise, they don't employ doctors, don't have relationships with hospitals (other than for billing and reimbursement) and don't have the ability to actually send someone to help you. The best among them have some local relationships with emergency services providers to whom they can refer you. According to a study by Robert Grace, M.D., an Australian doctor living in the South

Pacific, the worst fail to answer the phones of their 24 hour hotlines.[4] The majority of insurers outsource these services to companies beyond their direct control. Many of them are located overseas, beyond the reach of the U.S. legal system.

Perhaps worst of all, the $1,000,000 of coverage you purchased won't actually bring you home. Why not? If you read your policy carefully, you'll notice there are clauses regarding "appropriateness" and "adequacy" that allow insurers to leave you wherever you are, if they determine the facility is "adequate" to provide care. Unfortunately, an insurer located on the other side of the world is often ill equipped to determine whether any particular hospital is capable of providing "adequate" care. Furthermore, the insurer is often slow to act and even slower to approve transport.

While some have had positive experiences with insurers, a survey of news articles and court filings reveals a disturbing number of those who did not.

Rebecca Orozco, a graduate student studying in Spain, was a victim of the "appropriateness" clause. After being struck by a car while crossing the street, Rebecca was taken to a Spanish hospital where the doctor informed her she had a broken pelvis, a broken back and a shattered left elbow. The attending physician recommended that she be transported very quickly back to the United States. At first her insurer refused. Rebecca said, "When called upon, the insurance company dropped the ball. They were definitely out of their league when handling a situation of this nature. The business personnel in charge of my case only looked at the money involved and did not want to bring me home for that reason alone. Finances were their top priority and my well-being was second." Rebecca was only transported back to the U.S. after her "parents had made every connection they could (friends, lawyers, state senators, and finally the Secretary of State of California)." Because of the delay, "a portion of [her] shattered elbow bone was dead by the time [she] finally got back to Fresno for the surgery. It is currently held in place now by a metal rod that will remain for the rest of [her] life unless the dead bone piece deteriorates."[5]

While Rebecca Orozco eventually was transported, Hung Duong, a Lucent engineer, was not so lucky. After developing a cardiac problem in Saudi Arabia, Duong contacted his employer, insurer and an assistance company to evacuate him, but they refused citing that

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[4] Robert F. Grace, M.D., Darren Penny, "Travel insurance and medical evacuation: view from the far side," *Travel Medicine*, Vol. 180 (January 5, 2004): 31-32.

[5] Rebecca Orozco, "A Student's Response to Injury and Medical Evacuation from Abroad to the United States," *SAFETI Online Newsletter*, (Spring 2001): 2-3.

care at the local hospital was "adequate." In fact, the hospital was not "adequate" and assigned a Saudi physician who had never operated on a condition of Duong's type before. Tragically (but not unpredictably), Duong did not survive the surgery.[6]

If you are lucky enough to be transported, you almost never go home. This is where the "nearest appropriate care" clause is activated. In the aftermath of the Asian Tsunami, Bangkok was a popular (and much less expensive) destination for insurers to bring injured Americans for treatment. While you may be transported to a decent facility, it is just as likely that you end up in an "appropriate" facility like the one that greeted tourist Roy Morris in India where "there was half an inch of urine on the floor; flies and roaches were everywhere. There was no medical equipment of any kind."[7] How can insurers get away with this kind of behavior? This is a good question the federal government should be asking.

Why is access to U.S. quality medical care so important? The answer is simple: it puts the odds in your favor for a positive outcome. Recent studies by the *European Heart Journal* and the *British Journal of Surgery* show that even in Western Europe, surgical mortality is almost 20% higher than it is in the U.S. This figure rises to nearly 30% in Eastern Europe and to over 70% in Latin America (for the rest of the world, there is no data). If you want the best possible medical outcome, no country compares to the U.S.[8,9]

Perhaps *Consumer Reports* stated it best in a December 2005 report which recommends that travelers "read the fine print carefully, particularly on two points: evacuations and

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[6] United States Court of Appeals for the Ninth Circuit, Nga Bui, as Personal Representative of the Estate of Hung M. Duong, Deceased, *Plaintiff-Appellant*, v. American Telephone & Telegraph Company Incorporated, a New York corporation; Lucent Technologies, Inc., a Delaware corporation; International SOS Assistance, Inc., a Delaware Corporation, *Defendants-Appellees*, November 15, 2002.

[7] United States Court of Appeals for the Ninth Circuit, Ottillee Morris, Individually and as Executrix of the Estate of Roy I. Morris, Plaintiff-Appellant, v. Princess Cruises, Inc.; American International Assistance Service, Inc.; National Union Fire Insurance Company of Pittsburgh, PA; Berkeleycare Limited; Cruise Consultants, January 10, 2001.

[8] E. Bennett-Guerrero, J. A. Hyam, S. Shaefi, D. R. Prytherch, G. L. Sutton, P. C. Weaver, M. G. Mythen, M. P. Grocott, M. K. Parides, "Comparison of P-POSSUM risk-adjusted mortality rates after surgery between patients in the USA and the UK," *The British Journal of Surgery*, Vol. 90, Issue 12 (December 2003): 1593-1598.

[9] R.P. Giugliano, J Llevadot, R.G. Wilcox, E.P. Gurfinkel, C.H. McCabe, S.L. Thompson, E.M. Antman, E. Braunwald, "Geographic variation in patient and hospital characteristics, management, and clinical outcomes in ST-elevation myocardial infarction treated with fibrinolysis," *The European Heart Journal*, (January 2, 2001): 1702-1715.

exclusions." This is essential because the insurer, not the patient, will "decide whether you need to be evacuated and where you'll be sent."[10]

If you don't have decent health insurance or are worried about the cost of replacing lost luggage or a cancelled flight, then travel insurance is a good alternative. If you're primarily concerned with access to medical resources and transportation in an emergency, there are better options than travel insurance.

Another option: the creation of travel assistance companies

The late 1980's saw the birth of a new type of risk mitigation company: the travel assistance provider. Recognizing that "insurance" and "service" rarely belong together in the same sentence, travel assistance was created to provide improved service to travelers. Travel assistance is different from insurance. Its purpose is to provide travelers with the critical services and resources they need in an emergency. The theory goes something like this: if you have a problem anywhere in the world, the travel assistance company is available to help you obtain essential medical, security and other services. Most travel assistance also provides economic protection for an aeromedical evacuation (they pay, you don't). Travel assistance is great in concept, but how is it in practice?

Pricing pressure and commodity products

Unfortunately, travel assistance companies find themselves selling services that are difficult to differentiate from those sold by insurers, even though insurers have a reprehensible track record delivering those services. Insurance is a commodity. Service, especially when it is for medical or security purposes, is not. However, the marketing campaigns of insurers make it nearly impossible for the consumer to differentiate between them. To compete with the low prices offered by insurers, many assistance companies have been forced to reduce their prices so significantly that they are unable to provide the services that most of us would want.

They also have instituted rules and exclusions that mirror those sold in insurance products. So where does this leave the intrepid traveler still trying to buy a lifeline in a time of need?

[10] "Traveling Healthy Overseas," *Consumer Reports*, December 2005, www.consumerreports.org

Conclusions

Ultimately, there are only three things that matter when it comes to travel assistance / insurance:

1. The quality and capability of the organization retained to protect you from risk
2. Who pays for what
3. The list of exclusions (a corollary to point 2)

Deficiency in any of these three can result in experiences similar to those of Rebecca Orozco, Hung Duong or Roy Morris. Questions you need to ask are:

a) Do you have doctors I can talk to right NOW if I have a medical problem? (Most don't.) If so, can I speak to one?
b) Who are the doctors? What are their backgrounds?
c) Can you send a medical team to me? What are their credentials?
d) If I'm hospitalized, WHO decides if I'm transported?
e) If I'm hospitalized, WHO decides WHERE I'm transported?
f) Who pays for my transport and care?

If the company can't answer the above questions, can't put you on the phone with a physician, and won't let you decide when and where to transport, keep looking.

While travel insurance websites can be confusing, three that are relatively easy to navigate are: Totaltravelinsurance.com, www.squaremouth.com and quotewright.com.