

## HOW DO WE WORK OUT THE COST OF TRAVEL INSURANCE?



### WHERE YOU'RE TRAVELLING TO

Where you're going is a big factor in how much you'll pay for your travel insurance. Mostly, it comes down to how expensive medical treatment is in your destination country. While some countries such as the USA are well known for having high medical costs, even within Europe certain countries have significantly higher than average medical costs including Spain, Greece and Malta.

We also consider the distance, if you had a serious accident and needed to be flown home, the farther away you are, the more it would cost.



### HOW LONG YOU'RE GOING FOR

Booking a trip to Australia for a month? When you go on longer holidays, your travel insurance is likely to be more expensive.

This is because the longer you're away, the more time you spend on risk and the more likely it becomes that you'll have an accident, need medical treatment for an illness, or lose some personal belongings.



### HOW LONG IN ADVANCE YOU PURCHASE YOUR POLICY

Your policy is split into two core segments:

**Cancellation cover:** for example, you need to cancel before you travel or are unable to make your initial outbound flight.

**Travel cover:** for example, your departure being delayed, you losing your baggage or you becoming ill on your trip.

The further you purchase in advance the more likely you'll need to claim for cancellation.



### WHO YOU ARE TRAVELLING WITH

The people you go on holiday with can also have an impact on the cost of your travel insurance. Your policy will be calculated based on the number of people on your policy, the age of the oldest insured and if you are travelling with any infants or children. The medical history of each insured will also impact your premium.



## MEDICAL CONDITIONS

If you've got a clean bill of health, you're likely to pay less for your insurance than someone with a pre-existing medical condition. This is because we'll use industry data to work out the increased likelihood that your pre-existing medical condition will cause you to make a claim, and, the average historic cost of previous claims.



## WHAT ACTIVITIES YOU'LL DO ON HOLIDAY

While we include around 100 sports and activities as standard including many popular kinds of holiday activities, such as snorkelling, golf, camel riding, safari trekking, yachting – even parasailing, it normally costs a bit more to cover certain activities like bungee jumping, quad biking, white water canoeing and skiing - because there's a greater risk of you having an accident or injuring yourself.



## INSURANCE PREMIUM TAX

Insurance Premium Tax (IPT) is a tax on general insurance premiums which is normally 12%. Unfortunately, the government levies this tax at a higher rate of 20% on travel insurance.

## WHY DO PREMIUMS INCREASE EACH YEAR?



### THE RISING COSTS OF MEDICAL TREATMENT

As medicine becomes more advanced, doctors and surgeons around the world are able to offer a variety of treatments when you become ill abroad. Sophisticated healthcare comes with a hefty price tag, so while the GHIC can reduce the cost of medical expenses in Europe, it can run into hundreds of thousands of pounds in other countries around the world. The cost of medical treatment around the world increases each year, usually 3 to 5 percent above normal inflation, so, is expected to increase by up to 11% in 2025 alone.

When you become ill abroad beyond the medical treatment we'll often need to arrange for you to fly back with more personal space and for more serious conditions with a medical escort. In the most serious cases, we will pay for a dedicated air ambulance to repatriate you. The cost of all these services likewise increases each year.

To give an idea of some of the costs we've paid in the last few years and why medical inflation matters:

## THE RISING COSTS OF MEDICAL TREATMENT continued...

### **Heart attack:**

Spain with GHIC: £21,500

Spain without GHIC: £52,100

### **Stroke:**

Spain: £10,000

Egypt: £19,750

### **Chest Infection:**

Spain & Cyprus: £10,400

Portugal: £17,800

### **Road Traffic Accident (driver uninsured):**

Thailand: £100,500

### **Abdominal Pain:**

Caribbean Cruise: £202,400

### **Snowboarding Accident:**

USA: £89,300

### **Slip on street:**

Spain (wrist fracture): £12,100

Australia (ankle fracture): £11,900

### **Slip by the pool:**

Dubai: £24,500



## WHAT'S GOING ON IN THE WORLD

From acts of terrorism and industrial strikes to events causing wide-scale disruption (for example Weather events, Crowdstrike outage 2024, COVID 2020-22, Thomas Cook Collapse 2019, Volcanic ash cloud 2010), factors outside your control will often impact the price of your travel insurance.



## INCREASES IN THE COST OF TRAVEL

Along with increased fuel and energy costs, the price of flights, hotels and associated travel costs are all increasing. When the average cost of your holiday increases so does the average cost of a cancellation claim. A recent Which? Travel report stated that package holidays for summer 2025 are, on average, 4.2% more expensive than last year, with some destinations showing increases of up to 11.5%



## CURRENCY FLUCTUATIONS

Unfortunately, there's not a lot we can do about the global markets. When the pound is weak against foreign currencies, it costs us more to settle claims when you travel overseas. The increase in claims cost is then reflected in your travel insurance price.

## DO OUR POLICIES OFFER VALUE FOR MONEY?



Yes, all our policies offer value for money. To ensure this is the case, all our policies are independently rated by Defaqto offering a minimum of 3-star cover and up to 5-star cover depending on the level of cover you choose, as well as price checked against the market on a regular basis. We are also required by the insurance regulator (FCA) to provide an assessment each year for each product to demonstrate that it's fair value for our clients. This takes into account the number of claims paid and the cost of administration.

While all our policies offer value for money for the cover they may not offer value for money for you, for example, the needs and wants of one client may be for a low premium policy with a high excess and lower level of cover, the needs of another client may be for comprehensive cover with no excess with a higher premium. If you are unsure if your policy offers value for money for you please speak to one of our customer service agents to let them know what your needs are for your policy.

### **Important**

The information within this document is designed to help you understand how we price a travel insurance policy and why our retail costs increase on a yearly basis. This document is not designed to provide you with detailed information on the suitability of any specific product we offer, all of which will be subject to the terms and conditions, exclusions and limitations of that policy.