

Insurance Procurement & Distribution



IASIS

Best Practices

and Market Guide





1. THE BASICS

IASIS HISTORY AND PHILOSOPHY

The International Association for Student Insurance Services, which we know as IASIS was formed under the name of International Student Insurance Services (ISIS) Association over 60 years ago, in 1951 with the purpose of providing the best specialist insurance and [assistance services](#) and products for youth and student travellers.

ISIS immediately entered into contractual obligations with De Goudse Verzekeringen, which developed and promoted the ground-breaking ISIS Insurance, which sold by the tens of thousands in dozens of countries worldwide. This product set a template for student and youth travel policies which have been emulated by many organisations throughout the following years.

More recently, IASIS has adapted to changing market and regulatory conditions in the travel and insurance markets by establishing long-term partnerships with a suite of respected insurance and assistance providers. These partnerships provide the Association with the geographical capacity and state-of-the-art technological platforms required to serve the contemporary needs of young travellers and travel providers.

In addition, IASIS provides guidance to members of the youth exchange community on how to manage plans and work with the insurance industry as a whole. IASIS also enters in to strategic partnerships with organisations that promote best practices for the youth and student traveller, such as the [British Foreign and Commonwealth Office](#) that, together with IASIS, are committed to promoting youth safety overseas, including innovative solutions to [Emergency Assistance](#) demands using cutting edge online and mobile technologies. IASIS is a solid and consistent example of the spirit of co-operation that our community was formed to promote.

HOW THE MARKET HAS EVOLVED

In recent years, the [travel insurance market](#) has expanded vastly, in terms of volume of travellers, variety and sophistication of products available and also the number of providers.

As the youth exchange and travel market has become more complex and distinctive, so have its insurance needs. As an example, a short adventure program and its unique exposures is very different from the long term intern or au pair, who will tend to require a more traditional health-focussed coverage.

Managing these needs requires experience and knowledge of the available products. Some organizations are sizable enough to hire full-time insurance professionals, but many are not. These organisations must rely on outside sources to provide this expertise.

While most insurance providers in the field are reputable, the expansion of the travel/health insurance market has attracted some unsuitable and inexperienced providers that have often failed in their obligations. In some cases, programmes have been mismanaged in an effort to reduce claims payments and this has hurt the reputation of both the insurance industry and those members of our community affected by these practices (not to mention the insured persons themselves).

Addressing these issues and providing solutions is an on-going task of IASIS, its Partners, Members and Issuing Agents



2. THE MARKET

Common Mistakes/Sensible Safeguards

1. *Selecting a reliable insurance provider is a demanding and responsible process.* Just as in the travel industry, if a provider has a long and respected history in the market, there is usually a good reason for that.
2. In regular cycles, a period of undercutting runs through the insurance market as providers, often newcomers, seek to gain a quick market-share. This is a gamble; and *the risk is transferred to the selling organisation and its customers.* Whilst this approach may 'pay-off' in the short-term, experience has shown that there will inevitably be problem years which endanger the reputation of your organisation and the well-being of those insured participants.
3. Make sure that the organisation you work with either a) has a rating of [AA or AAA](#) by [Standard & Poor's](#), [Moody's](#) and/or [Fitch](#) or, b) if the organisation is a broker or agent, that the policy they are selling is underwritten by an insurer with AA or AAA rating by Standard & Poor's, Moody's or equivalent ratings agency.
4. If you are unsure of the status of your insurer, IASIS can provide you with a rating and summary.
5. If the contract is arranged by a [Managing General Agent](#), (broker who underwrites on behalf of the insurer), be certain to receive written confirmation from the actual insurer that they accept the risk for the full term of the coverage

Links

[Travel insurance advice UK](#) from the British Foreign & Commonwealth Office

[Travel Insurance Advice USA](#) from the U.S. Department of State



MARKET ANALYSES AND CASE STUDIES

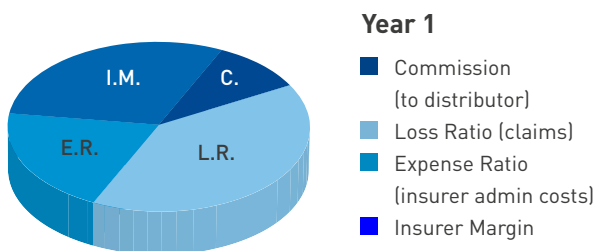
How Insurance Works

In simple terms, the insurance premium can be split four ways.

1. **Loss Ratio** – This is what the insurer pays back to the insured customer each year when claims are made.
2. **Expense Ratio** – This is what it costs the insurer to develop, run and administer the insurance programme.
3. **Insurer Margin** – This is the profit the insurer makes (in practice the insurer will save this portion to cover large, infrequent claims in the future).
4. **Commission** – This is the amount that may be earned by the distributor/agent/organiser who provides the insurance to the customer.

The split will vary greatly between markets, types of travel, demographic, destination of traveller and many other factors; the graphs below are merely illustrations.

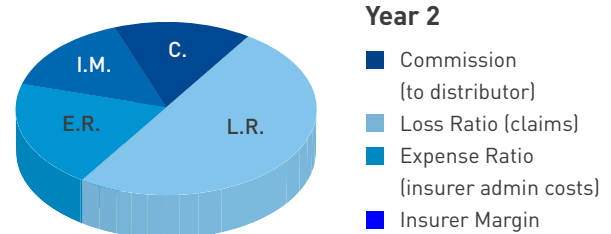
In the graphic below, the account has run relatively well, and claims (the Loss Ratio) is below 50% of premium.



In this situation, the travel organiser, at the end of Year 1, may choose to renegotiate the terms and conditions of the insurance agreement in order to do one or both of the following:

- a) Reduce the price of the insurance to the customer.
- b) Increase the commission level.

In the graph below, Year 2, the travel organiser has chosen to increase their Commission level. The Expense Ratio of the insurer tends to remain stable, but the commission level has increased at the expense of the insurer margin and the loss ratio.



Distributors who have a good basic understanding of how insurance works are better equipped to conduct successful renewal negotiations and to establish mutually beneficial long-term business relationships with their insurance provider.

Product Comparison Guide – Important questions

5 questions to ask your organisation

1. Why is my organisation providing insurance to my customers/participants?
2. What is most important to my organization: price, commission, service levels, peace of mind, the health and safety of my customers or another factor?
3. How well do I understand the policy I am providing?
4. What kind of relationship do I want with my insurer?
5. What will happen to my customers in the event of an epidemic, a political or natural disaster?

5 questions to ask your insurance partner

1. How many years have you been in business?
2. Do you have any prominent clients in my sector, and can I see references from them?
3. What is your financial credit rating?
4. Who is your emergency assistance provider and where do they operate?
5. How will my renewal rates be calculated?

For more detailed information on this topic, please see: **Appendix A - How to Compare Insurance Options**



3. IASIS PARTNER BENCHMARK CRITERIA

DEFINITION OF IASIS PARTNERSHIP

An IASIS partner is defined as follows:

- An organisation which enters into an agreement with the Association to provide specialised services to Association members.
- An organisation which agrees to provide a defined level of service to Association members for a specified period of time and to maintain this standard throughout the period of the agreement.
- An organisation which agrees to adhere to IASIS philosophy and constitution.
- As organisation which agrees to be flexible and adapt to youth market conditions as they evolve.

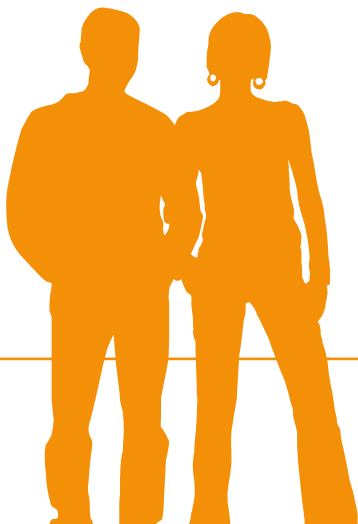
Standards for IASIS Partners - General:

- IASIS partners must be established and respected operators of long-standing in the marketplace.
- IASIS partners must demonstrate an ability to provide excellent and competitive service to members of the youth travel industry.
- IASIS partners must make a long-term commitment to the development of services for the youth travel industry and to IASIS goals.

Standards for IASIS Partners - Specific

An IASIS partner is an insurance supplier to Members and Appointed Issuers that satisfies, but is not limited to the following requirements:

- Provides a track record of commitment and delivery to the insured with regards to premium cover competitiveness, transparency, reliability, emergency assistance and claims settlement with due expediency.
- Provides a track-record of customer-focused service and a disposition of immediate assistance in difficult cases that and insured may face.
- Provides consistent industry regulatory ratings by a selection of ratings agencies and maintains these throughout the period of partnership.
- Provides a detailed financial report of the last year prior to partnership with sufficient capital requirements appropriate for the size of the insurance book.
- Provides global reach in its provision that extends to numerous territories generally represented of own dependent, affiliate or similar providers.
- Enters into agreement with IASIS that governs and regulates the provision of its agreements, level and quality of service and marketing with Members and Appointed Issuers according to the Best Practices of the Association.
- Provides cover that meets the particular requirements of student and youth market in terms of quality, competitiveness and flexibility to meet the evolving needs of Members and Issuing Agents.



7 key criteria for IASIS partnership

1. GLOBAL REACH
2. LOCAL PRESENCE
3. MARKET KNOWLEDGE
4. COMPLIANCE / REGULATION
5. MOTIVATION / OWNERSHIP
6. PRICE/COMPETITION
7. IT CAPABILITY

In detail

1. **Global Reach** - ability to provide over the counter (OTC) and online solutions in territories assigned by the Association and to provide service in the local language.
2. **Local Presence** - dedicated sales, assistance and claims staff, located in each country.
3. **Market Knowledge** – ability to demonstrate an understanding of the youth travel market and readiness to adapt to its specific needs.
4. **Compliance / Regulation** – licensed and compliant in every territory.
5. **Motivation / Ownership** – commitment to provide fully engaged, on-going, hands-on cooperation regardless of account size and external factors
6. **Price / Competition** – prepared and able to compete with existing market premiums and commissions in each territory.
7. **IT Capability** – ability and inclination to provide Association members with access to state-of-the-art online and mobile sales systems.

	Organisation A	Organisation B	Organisation C	Organisation D	Organisation E	Organisation F
Contact	{name}					
Location	{city, HQ}					
Global Reach	{score/10}					
Local Presence	{score/10}					
Market Knowledge	{score/10}					
Compliance/ Regulation	{score/10}					
Motivation/ Ownership/	{score/10}					
Price/ Competition	{score/10}					
IT Capability	{score/10}					
TOTAL	{score/70}					



IASIS FACTS

IASIS and Membership

IASIS represents the interests of its membership in their dealings with the world of insurance. IASIS membership is made up of youth travel organisations and WYSE Travel Confederation members.

IASIS and the WYSE Travel Confederation

IASIS is a Sector Association of more than 60 years standing and a founder member of the WYSE Travel Confederation. The Association is an active contributor to sustaining the Confederation.

IASIS and Choice

IASIS is an optional conduit through which WYSE Travel Confederation members can choose to procure an insurance arrangement.

IASIS and Partners

IASIS enters into partnership with specified insurance and assistance organisations. It remains accountable to its members and retains the right to add or remove partners at its discretion.

IASIS and Tendering

The IASIS tender is a defined process, conducted in the interests of the membership, utilised as and when required.

4. GLOSSARY

General Exchange Type Insurances

Most exchange organizations focus on the medical coverage – accident, illness, medical evacuation and repatriation, but the plans will often have elements of travel insurance such as baggage or trip cancellations

Blanket Insurance

This offers the best value to the participant and the affiliated organization. It is also the most effective way to ensure participants have access to quality and appropriate health care. The negative that is often associated with a blanket program is the common reaction against any requirement, particularly one that has a cost.

Required, direct enroll by participant

While this may seem the best way to provide participants freedom of choice and flexibility, the reality is that costs generally increase when the group's purchasing power diminishes. There is also the additional staff effort needed to monitor and/or enforce the insurance requirement. If monitoring is not maintained, uninsured numbers will increase as will the problems associated with not having insurance – problems with placement communities, partners, host families, etc.

Travel Insurance Policy Types

Annual Multi-Trip

If your customer intends to take more than one holiday a year, it is usually more cost effective to buy annual cover. There is however, a maximum individual trip duration, which means that cover is provided for a specific period; typically 31 days for each trip taken.

Single Trip

If your customer intends to take only one holiday a year, a single trip policy may be more useful. The premium is based on the number and age of travelers, destination, and length of trip.

Long Stay

If your customer intends to take an extended trip, and are staying abroad for three months or more, it is advisable to purchase an 'extended trip' or 'long stay' travel insurance policy. Typically the majority of policies will provide cover for up to 365 days.

Gap Year/Backpackers

If your customer intends to travel the world a gap year or backpackers' policy is essential. These policies are priced according to the length of stay and the types of activities undertaken. Many will cover volunteer work or similar activities.

Winter Sports

Covers available can include 'Ski Pack', which will cover the costs incurred for hire of ski equipment, lift passes and ski school expenses if your customer is injured or suffers a serious illness.

Piste closure provides compensation for the closure of facilities due to adverse weather conditions. Typically the cover given ranges from €20-€40 per day for travel expenses to another piste or if no other piste is available. Avalanche delay provides cover for additional travel and accommodation expenses because of a delay caused by an avalanche or landslide.

Adventure/Hazardous/Extreme Sports

Cover can be provided for unusual or extreme pursuits such as abseiling, ballooning, bungee jumping, potholing and parachuting. These sports are often excluded from a standard policy. Mainstream sports like canoeing, athletics, basketball, scuba diving, judo and karate can be included in this category.



Each Policy Section Explained

Medical and Repatriation Expenses

Cover is provided for the costs incurred for medical treatment you receive. This usually includes a 24-hour emergency assistance service, as well as cover for the costs of bringing the insured person(s) home (repatriation) for medical reasons. The policy limits for medical expenses typically provided range from €1m-€10m.

Baggage and Money Cover

In this instance cover is provided for damage to, loss of, and theft of personal possessions. Check the policy they will all have varying limits for 'single item limits' and 'high risk items' or 'valuables'. High risk items or valuables are usually defined as items such as photographic equipment, computer video and electrical items, mobile phones and jewelry. The typical cover provided for 'money' includes loss or theft of cash, bank notes and travelers' cheques.



Cancellation and Curtailment cover

If the insured person(s) have to cancel or cut short (curtail) the trip because of family illness or bereavement, cover is provided towards the cost of the trip. Cover is also usually included for cancellation if the insured loses their job, has to attend jury service, or the insured's home has suffered serious damage.

Scheduled Airline Failure

Covers the cost of flights, which cannot be recovered if a scheduled airline goes bust and leaves the insured person(s) unable to fly. Many people assume that this is covered by standard travel insurance, but this is not always the case.

Delayed Departure

If the trip is delayed because of weather conditions, strike action or mechanical damage to your aircraft, train or sea vessel, most policies will pay compensation for the delay. Cover is usually provided once the delay reaches 12 hours.

Missed Departure

If a flight is missed because of delay in public transport, car breakdown or an accident, cover is provided for additional travel or accommodation expenses.

Travel Abandonment

Covers the abandonment of the trip due to weather conditions, strike action or mechanical damage to the aircraft, train or sea vessel. Generally, if the trip is delayed for more than 12 hours compensation is provided for the cost of the trip.

Loss of Passport

If a passport is lost, stolen or destroyed, the costs involved in replacing it may be covered by your travel insurance. Typical cover ranges from €100-€500.

Terrorism Cover

All insurance policies will have certain exclusions for claims from terrorism. Some policies will only provide cover for medical costs incurred from an act of terrorism; others will also include cover for personal possessions.





APPENDIX A

HOW TO COMPARE INSURANCE OPTIONS

1. Establish selection criteria and relative importance, i.e.

- a. Price
- b. Coverage
- c. Financial stability
- d. Program stability
- e. Claims processing capabilities
- f. Other service arrangements (ID's, orientation development, etc)
- g. Web content/capabilities
- h. Others significant to your organisation

2. Develop a chart to weigh benefits, rates, services (see excel charts on following pages)

COVERAGES	Company A	Company B
TOTAL BENEFIT		
BENEFITS (covered at what %)		
IN HOSPITAL (any limitations?)		
SURGEON'S CHARGES (any limitations?)		
MISCELLANEOUS SURGERY		
CHARGES		
OUTPATIENT (some plans have \$1,000 max or other internal limits)		
X-RAY & LAB (any limitations?)		
PRESCRIPTIONS		
AMBULANCE		
OUTPATIENT BACK/SPINE		
PHYSIOTHERAPY		
OUTPATIENT MENTAL HEALTH		
INPATIENT MENTAL HEALTH		
SPORTS INJURIES		
DENTAL INJURY		
PRE EXISTING CONDITION WORDING		
PRE EXISTING WAITING PERIOD		
DEDUCTIBLE		
EXCLUSIONS / LIMITATIONS		
Check: Motor vehicle, sports, dangerous activities, PREGNANCY,		



STD's, HIV, allergies, under influence of substance,		
HOME COUNTRY COVERAGE		
FAMILY AIRFARE (in case of an emergency)		
REPATRIATION		
MEDICAL EVACUATION		
AD&D		
LIABILITY COVERAGE		
PERSONAL PROPERTY COVERAGE		
TRIP INSURANCE		
RATES		

SERVICE & RELATED FACTORS	Company A	Company B
Claims Processing		
Experience		
Stability in field		
References		
ID's / Enrollment		
Servicing Hours		
Web Content		
Web Capabilities		
Orientation assistance		
Financial Stability (use rating service)		
Policy filing		
Meets regulations		
Claims Reports		
Assistance component		



SAMPLE BID QUESTIONS

PRIOR EXPERIENCE

- Years in business
- References from current clients
- References of past clients

CUSTOMER SERVICE

- Average ID turnaround
- Average claim turnaround
- Provide examples of communications, such as explanation of benefits & denials letter
- Language skills of customer service
- What type of training do customer service undergo to prepare them for dealing with international exchange participants
- Location of customer service operation
- Name and availability of direct customer service contact
- Availability of firm's primary service representative
- Hours of service
- Sample brochure
- Assistance with orientation materials

FINANCIAL

- Financial Stability of the carrier (Best Rating)
- Licensing of carrier/broker
 - If contract is with broker (not carrier) how long has carrier been on book? If short period, what is history with prior carriers?
 - Will broker guarantee in writing that replacement carriers will have the appropriate rating?
- Please provide examples of reports
- Refund guidelines
- Late enrolment guidelines
- Availability of weekly or daily rate?

PRICING FACTORS/QUESTIONS

- How will renewal rates and fees be calculated?
- Obtain a brief explanation of the experience rating methodology you propose for this group. Is the Pricing pooled or experience rated?
 - If pooled, outline rate history
 - If experienced, what is claims/premium ratio?
- Is there a PPO element? If so, obtain details.
- How does claims administrator determine reasonable & customary?
- What is the current level of medical trend used for a nationwide account such as this group?
- When will you be able to present a renewal position for the 2012-13 plan year?
- Please illustrate any rate guarantees or capitations available for 2012 & 2013
- How are PPO fees paid and please identify average charges
- Will you be able to use the completion factors from the current administrator in renewal calculations?
- If not, how will you project runout?
- How does your actuarial and underwriter measure trend?
- Please illustrate a proposed dividend arrangement should the experience be below projected

ADMINISTRATIVE TASKS

- What are enrollment arrangements?
- What are billing arrangements?

WEB SERVICES

- Detail administrator services (enrolment, plan management)
 - Detail student services (claims, IDs, etc)
 - Web content
-

