In Travel Insurance, Machine Learning Is
Turning Conventional Wisdom On Its Head

By Christopher Elliott, Contributor, Apr 21, 2019

You know the conventional wisdom about shopping around before buying? Machine learning may be turning that truism on its head, at least in one industry.

Smarter technology is serving up relevant products in the blink of an eye, anticipating your needs before you have a chance to ask a question. Companies hope personalization engines operating behind the scenes can power their way to winning your business.

"Companies are beginning to use artificial intelligence technologies to engage with users," says Bret Greenstein, vice president and global head of artificial intelligence at Cognizant Digital Business. They're doing it by optimizing their back-end technology to make it faster and easier for customers to use.

Consider how travel insurance company Allianz Travel Insurance has quietly upgraded its systems. In the last few months, the company has put the finishing touches on an ambitious project to add personalization features to its online storefront and its partners.

The goal: to ensure that travelers get the most appropriate product for their trip and don't overpay for coverage. Allianz added machine-learning and artificial intelligence technology to offer real-time personalization that delivers the product recommendation in less than a second.

That's right, one second.

The Allianz case study offers a peek behind the curtain of a company that's trying to compete with other travel insurance providers and fighting a perception among experts that a travel insurance partner such as an airline or online agency isn't the first place -- or even the best place -- to buy an insurance policy.

What you don't know when you buy through an aggregator

"There is a prevailing philosophy that the best place to buy travel insurance is through an aggregator," says Allianz spokesman Daniel Durazo. Travel insurance aggregators are sites that offer a variety of travel insurance products. "While the ability to compare products is often mentioned, never mentioned is the lack of visibility into the insurance providers behind the products being offered."

For example, when you're buying insurance online, it's impossible to know whether the company offering a product has 24/7 customer service or is only there 9 to 5, Durazo says. You also can't tell whether it adjudicates its claims or if that's handled by another company. Nor can you tell whether the company manages its own travel

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assistance services or whether it farms out those duties to another company. That information is available online, but it takes time to find it.

"You don't know if they have an in-house medical team to manage emergencies and evacuations or whether they use a third party," he says. "You don't know if they have a mobile app that has the ability to access policies, file and track claims and get access to local resources."

What Allianz did to improve its online buying experience

Allianz set out to deliver "the most appropriate" products within a partner booking path in less than a second and to answer questions about the reliability and availability of its products. The insurance company's partners include airlines and online travel agencies that sell coverage as an add-on during the booking process. In a world where lengthy delays are the norm, that was a tall order.

Allianz ⑪ Partners

To pull it off, Allianz embraced contextual personalization to consider several factors for the trip. Those included:

The booking window.

The period between booking and departure is a critical factor. The longer the period, the higher the probability of an event that would cause customers to cancel their trip. On the other hand, a trip booked on the day of departure makes cancellation coverage unnecessary. By quickly determining the booking window, customers who don't need cancellation coverage can purchase a product that only covers post-departure travel problems such as travel delay, delayed or lost baggage or medical emergencies. That can result in cost savings to the customer, potentially offering a product that is significantly less expensive than standard products. Post-departure products are often 30% cheaper than comparable products offering cancellation coverage and may cost as little as $19 for a trip.

Trip length.

The longer a trip lasts, the greater the probability of an event that affects the trip. That's why post-departure benefits such as coverage for travel delays, baggage delay or loss, and medical emergencies become even more important for longer trips. Shorter trips cost less to insure -- that's more money saved for the customer.

Airport codes.

Knowing the origin and destination of a trip can help determine what coverage may be needed for common events at those airports. For example, travel delay coverage and baggage loss may be more important at one airport than another. A vacation trip to the Caribbean may require less coverage than a trip to Asia or Africa, where potential delays, interruptions and medical emergencies may be more of a concern.

Connecting flights.

Itineraries with connecting flights are more likely to experience travel delays, missed connections and lost or delayed baggage. This makes post-departure benefits that cover these events even more important.

Trip cost.

Trips that include a significant investment in nonrefundable travel payments should include cancellation coverage that will refund those payments in the event of cancellation for a covered reason.

Other variables that affect the insurance product you see

Allianz identified other variables that it could hand over to its machine-learning algorithms.

For example:

- **The number of people traveling** -- The bigger the group, the greater the chance of a cancellation or trip interruption. The right travel insurance policy can protect against those losses.
- **Age of travelers** -- Families with children or older adults may have different needs than other travelers. Children or older adults are more likely to become sick before a trip. This makes cancellation coverage and coverage for medical emergencies and emergency medical transportations even more important.
- **Paying with miles** -- Travelers using frequent flyer miles to pay for their trip can purchase a policy that covers the fee to redeposit those miles if the trip is canceled. This saves money over the cost of a policy that includes traditional cancellation coverage. Policies covering redeposit fees may cost as little as $16.
- **Reason for travel** -- Business travelers often have different needs than leisure travelers. They may require coverage for the business equipment and devices they are carrying.
- **Your connections** -- International travel makes emergency medical coverage even more important. Overseas medical providers often demand upfront payment for hospitalizations and other serious medical situations. A large travel insurance company like Allianz can guarantee payments to medical providers so that customers don't have to pay large medical bills out of pocket.
- **One way, round-trip or multi-city trips** -- One-way trips may not require post-departure benefits, such as emergency medical coverage. Itineraries with multiple stops are more likely to experience delays and baggage issues.
- **Timing of trip** -- Trips booked for the winter months or hurricane season may be more likely to experience severe weather events that could cause a missed connection or delay.

The machine-learning systems take all of these factors into account, meaning that buying an insurance policy through an airline or online travel agency might be a traveler's top choice.

"The products offered in travel provider booking paths are highly personalized for the traveler's trip," says Durazo. "The consumer gets the appropriate coverage for their trip and doesn't overpay for coverage they don't need."

How Allianz made travel insurance smarter

The technology behind this customization is impressive. Allianz collects anonymized information to power a personalization engine from a partner like Priceline to help it find the right product for the customer. That reduces the time spent researching companies and products and virtually eliminates the chance that customers will pay for coverage they don't need.

That's a sharp contrast to insurance aggregators and other providers, which place the burden on the consumer to sift through many offerings to find the product that is most appropriate, according to Allianz.

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"Products offered through personalization do this work for the consumer, allowing them to focus on the more enjoyable aspects of their trip," says Durazo.

The engine itself takes multiple trip and traveler attributes into consideration, selecting from about 100 different products. What's more, the personalization engine gets smarter every day. Allianz makes more than a billion offers every year, so its personalization engine has learned which products offer the best value for each traveler's itinerary.

Machine learning is the future

Experts say the type of machine learning that Allianz is doing represents the future of targeted marketing.

"Big data and artificial intelligence can build very accurate user profiles and offer custom benefit configurations for each of these profiles," says Dana Adam, a vice president of marketing at RedFalcon.ai, an artificial intelligence company. "Artificial intelligence enables the personalization of packages like trip cancellation insurance, instead of bundled, predefined packages."

Joseph Wilck, the faculty director for business analytics at William & Mary's Mason School of Business, says machine learning like this can be helpful.

"I think this is actually useful from a planning perspective," he says. "For example, I have children and in January and February was looking at summer vacation options, so the travel sites that used artificial learning, machine learning, and analytics to watch me offered family-oriented travel options and advertisements."

But are people ready for this kind of personalization? Wilck says yes. Consumers expect a company to offer an appropriate product.

"For travel purchases, I don't think this technology is overreaching," he says. "However, more private topics -- like politics, religion, health -- and topics surrounding children may anger consumers if they knew that they were being targeted and watched for those purposes or to those demographics."

So the next time you see a travel insurance policy offered after you book an airline ticket, you might want to give it strong consideration. It might be the best policy for your next trip.

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