

Travel

Travel insurance has recorded profits in each of the three years post COVID-19, with year-on-year premium increases and the latest year posting a net combined ratio of 90%.

But a lot has happened over 2025 with the potential to disrupt this steady result.

Let's look at some of these:

In the Middle East and Europe geopolitical tension has had some impact already in short-term airspace closures in the Middle East, resulting in travel reroutes and delays. Historically, airspace closures were related to natural events, such as volcanic eruptions, rather than government action.

Recent ABS data reiterates how cost-of-living pressures are impacting discretionary spend on travel – for example, to high-value destinations like the US, as people opt to travel to closer destinations, such as Japan, Indonesia and other Asian countries, as well as travellers taking shorter trips. This is reflected in reducing average written premium over the past year, as shown in the APRA data.

- It's vital insurers adapt to these changing travel patterns by offering products and covers that are affordable and flexible.

Then we have cyber-related aggregations, as indicated by the CrowdStrike incident last year, where:

- A bug introduced by a routine update of a widely used cybersecurity platform disrupted IT systems worldwide and impacted airports globally.

Lastly, changing weather patterns are continuing to affect air travel:

- There have been several unprecedented disruptions to air travel caused by recent weather events – think the Auckland Airport flooding in 2023, and Hong Kong Airport being severely disrupted in August this year after receiving the highest daily rainfall since records began in 1884.

How can travel insurers navigate all these changes?

In navigating the changes, you'll need to consider these emerging risks as part of your reinsurance renewals, and in the management of your capital, including in scenarios, stress tests and recovery action plans.

Further, with cost-of-living pressures in mind, it will be key to focus on products that are more targeted to specific groups or activities and provide different levels of cover to meet your customer needs.

And with AI changing how customers receive information in online searches, you'll need to reconsider your reliance on SEO, looking beyond traditional advertising methods to more savvy and effective means to reaching your customers.

Safe travels!