



The Characteristics of Travel Insurance in Georgia and Its Ways of Improvement

Zurab Mushkudiani ^{1*} • Nana Shonia ¹ • Badri Gechbaia ²

¹ Department of Business Administration, Akaki Tsereteli State University, Georgia, Kutaisi, Georgia

² Department of Business Administration, Shota Rustaveli Batumi State University, Batumi, Georgia
zura_8355@yahoo.com

Abstract: Recent studies clearly show that the number of citizens who travel abroad is growing annually. Naturally, the main interest of tourists is sightseeing. Many tourists are focused on increasing their awareness of an interesting part of the world or going to a resort to relax or to recover for health reasons. With these intentions, tourists rarely think about the negative possibilities, accidents and hazards that can occur during travel (e.g. sudden sickness, fractures, various traumas, loss of documents, loss of luggage prior to issuing a visa. Therefore the importance of travel insurance is revealed. However, some travel problems might be arranged by the tourist agency in terms of giving clear instruction before their leaving, but no one is insured by unexpectedness that might be encountered to any tourist, etc.). Studies concerning insurance reveal that only the insurance company can assist a tourist in an extreme situation. Every developed country should require travel insurance as a basic requirement.

To cite this article

[Mushkudiani, Z., Shonia, N., & Gechbaia, B. (2018). The Characteristics of Travel Insurance in Georgia and Its Ways of Improvement. *The Journal of Middle East and North Africa Sciences*, 4(2), 33-38]. (P-ISSN 2412- 9763) - (e-ISSN 2412-8937). www.jomenas.org. 3

Keywords: Georgia, insurance, travel insurance, underwriter, actuarial, insurance premium, coverage limit, insurance policy.

1. Introduction:

Travel for leisure, recreation and holidays accounted for just over half of all international tourist arrivals (51% or 446 million arrivals). Some 15% of international tourists reported traveling for business and professional purposes and another 27% traveled for specific purposes, such as visiting friends and relatives (VFR), religious reasons and pilgrimages, health treatment, etc. Slightly over half of travelers arrived at their destination by air transport (51%) in 2014 while the remainder traveled by surface (49%) – whether by road (41%), rail (2%) or sea (6%). All individuals planning travel should seek advice on the potential hazards in their chosen destinations and understand how best to protect their health and minimize the risk of acquiring the disease. Forward planning, appropriate preventive measures, and careful precautions can protect their health and minimize the risks of accident and of acquiring the disease. Nowadays, the trend of Georgia's society has been changed rapidly. Many Georgians pay a lot of attention to the traveling abroad which is associated with pleasure and positive emotions, but before departure, no one thinks that sudden deterioration of health during the trip or luggage loss may give negative emotions to the planned pleasure. Health insurance is insurance that covers the whole or a part of the risk of a person incurring medical expenses (ABI, 2008).

2. Materials and Methods:

In order to analyze the world health travel insurance market, it is segmented based on insurance cover, users, distribution channel, and geography. Travel insurance covers are available for the single trip, annual multi-trip, and long stay trips. Among the mentioned policies, single trip travel insurance policy dominated the market in 2015, accounting for around 71% of the overall market revenue owing to increase in popularity and affordability of year-round city breaks, increase in family travelers, shopping trips abroad, and winter sun holidays. Annual multi-trip travel insurance policies are expected to be the fastest growing policy type during the forecast period.

Statistical Analysis: Statistical analyses carried out included descriptive statistics and analysis of variance (ANOVA) to assess the impact of insurance systems on traveling properties (SAS Institute, 1996), as well as test analysis to determine the influence of depth on insurance properties (Rees & Wambach, 2008).

3. Results and Discussions:

By research and estimating the overall risk of health care and health system expenses, among a targeted group, an insurer can develop a routine finance structure, such as a monthly premium or payroll tax, to ensure that money is available to pay for the health care benefits specified in the

insurance agreement (Sasso & Lurie, 2009). The benefit is administered by a central organization such as a government agency, private business, or not-for-profit entity. Health insurance is defined as "coverage that provides for the payments of benefits as a result of sickness or injury (Carrin, 2008). It includes insurance for losses from accident, medical expense, disability, or accidental death and dismemberment (see figure 1).

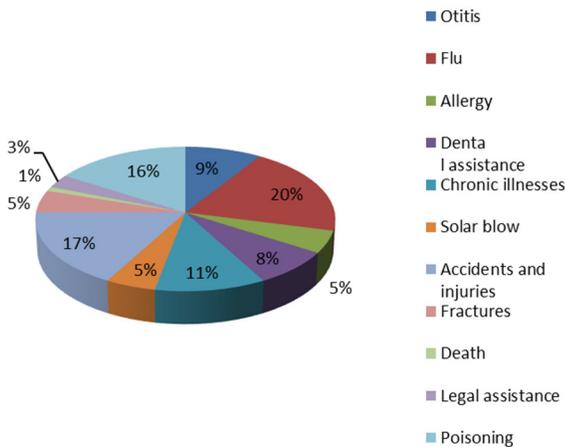


Figure 1. Insurance losses from accidents. Source: Insurance state supervision service of Georgia (2016)

The specific objectives of this study are to investigate key issues on traveling abroad when a tourist is in some extreme situation such as Climate change, Changes in the chemical composition of drinking water, Change of nutritional regime water, and others (Health Insurance Coverage. Centers for Disease Control and Prevention, 2014).

The central concept for this study is a relationship (or relation), which is frequently the lack of awareness of the situation negatively influence on the tourist's health (for example being on the sun long, uncertainty on allergies and so on.)

The number of insurance incidents is higher in those countries where tourists mainly go for entertainment.(coasts, a sharp change of climate) In recent times, the number of elderly tourists is increasing, who visit distant countries in order to see their relatives. Hourly belt, climate, nutritional regime, or long-term flight is relatively difficult for older people. It should be noted that the last years tend to 2-3 (often nursing) kids to travel (Finn & Bragg, 1986). This is still possible if the appropriate tour ticket takes into account the life in 5 stars hotel. Where nutrition and living conditions can be satisfactory for children, but in relatively low-level hotels,-boarding houses these requirements are not satisfied.

The picture is opposite in those countries such as Germany, France, Austria, and Switzerland. There are the very small amount of insurance incidents which explained by insurance companies that in these countries are traveling

to a certain contingent-solid people who prefer a peaceful life (Anderson, 2007).

Travel insurance is a kind of peculiar nature that ensures the protection of property (material) interests of citizens during a tourist trip. This type of insurance belongs to the risky types of insurance, which is considered to be a significant feature of its short-term (Diamond, 1992). The high quality of indefinite period of insurance incidence and maybe the amount of damage. The insurance of tourists includes:

- 1) Travelers' medical (health) insurance.
- 2) Insurance from an accident that can be divided as Individual, Child insurance, Collective type of insurance for legal entities, and Compulsory insurance of passengers.
- 3) Insurance of travel impossibility, where the insurance object is property interests of the insured, which is related to unforeseen expenses, which will be originated in relation to the impossibility of traveling abroad, planned by the insured.
- 4) Personal property or luggage insurance, transferred while traveling, property interests insurance, which is related to the use and control of the baggage of the insured.
- 5) Travelers' extra costs insurance is linked to insurance of property interests, which is related to additional expenses when traveling abroad(for instance: Delay of flight, delay of issuing of luggage by air carriers, which is justified by an official document issued by air carriers, early arrival)
- 6) Insurance of travelers responsibility, where the property interests of insured are considered as an insurance object, which is related to the latter's obligation to compensate for the damage of life, health or property inflicted by the third person while traveling abroad.

The above listed are not the only types of travel insurance, that may be offered by the insurance company to the customer, for example, In France it is offered not only medical insurance but also legal and informational services, which provides legal support of travelers in administrative and civil violations and give travelers information about convenient routes and different sights, moving in the city and in the country (Siegelman, 2003; Simon, 2005).

Specific types of travel insurance include insurance

In case of unplanned flight, in case of bad weather in a temporary residence, in case of not leaving, visa fraud and canceling the tour compensation of different expenditures (in case of tourist's illness, trial and other) specific rules of individual types of tourism (travel) insurance are developed by the insurer, independently, In the frameworks of existing normative acts and relevant legislation.

Implementation schemes of travel insurance

Nowadays there are two types of travel insurance schemes that can be presented as follows:

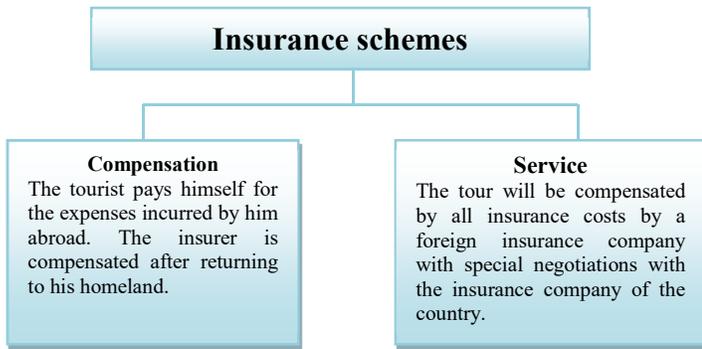


Figure 2. Implementation schemes of travel insurance
Source: Own elaboration

According to the first scheme or the compensation scheme, the tourist pays the medical, legal or administrative service himself/herself and while returns in his country, - he/she produces/hands-in to the relevant insurance companies the important documents (insurance accident act, reports, checks, etc). If insurance case was confirmed documentary in this case the insurance makes decisions on reimbursement, according to the conditions set out in the policy. In case of reimbursement, the final decision can be made by the civil court (Huberman et al., 1983). The main drawback of this scheme is that tourist has to have a certain compensation because the insurer can always find some reason to avoid issuing insurance reimbursement. Because of these shortcomings, the use of the first scheme has been reduced in recent years (MoCarthy & Mitchell, 2010).

The second scheme is utilized by at least two companies, the local insurer and its foreign partner (may be involved in several relevant service provider companies), the insurer is obliged to inform the operator about an accident. All subsequent services are made by the company.

When we are talking about tourism or the branch of the tourism industry, which is a vital sector for many countries, it should be mentioned the close relationship of the hospitality industry with such discipline as a financial science, such as insurance job. Today, tourism has become a popular global activity and millions of people travel in different countries for various purposes.

The main requirement which exists for travelers is demand for travel insurance. Considering travel insurance in Georgian conditions, the person who has been traveled for each trip is practically associated with one of the paid insurance policies.

The number of indicated days in the travel insurance policy depends only on the conditions offered by the embassy requirements in which country you are going to travel (Insurance Research Council 2000, 2003). In major cases, the insurance period is equal to the number of days you plan to stay abroad. However, some countries have different demands and have been demanded insurance for

excessive days to avoid unintended problems. (Delayed flight, natural disaster etc.)

Travel insurance policy is the holder’s guarantee while staying abroad, guarantee that protects the tourist from accident occurs. It contains various services that are contained in the contract. The insurer/insured/insurance period/date of issue/insurance/insurance limit/additional coverage or another type of information is indicated in the policy (Kelly & Nielson, 2006).

In the travel insurance policy on the national market, we find such “articles” such as definitions, insurance covering, exemptions (what does not include travel insurance policies).The above information is given in the policy, both in Georgian and English.

Introduction to the conditions of the insurance companies, as well as electronic form, various insurance companies have their own conditions, some of which may be given as follows (e.g. IC Group, Aldagi BCI and Ardi insurance companies).

Table 1: IC Group Insurance Company (insurance conditions)

Insurance coverage	Limit 5 000 \$	Limit 50 000 \$	Limit 50 000 €
Emergency hospital services	V	V	V
Urgent outpatient services	V	V	V
Emergency service brigade service	V	V	V
Insurance repatriation	V	V	V
Repatriation of the accompanying person			V
Back to top			V
Additional service			
Luggage loss	V	V	V

Source: IC Group Insurance Company (2016)

The cost of travel policy depends on the following factors: Age of insured, Travel duration, Selected insurance product, Selected country for travel (Finkelstein & Poterba, 2004; Finkelstein et al., 2009).

On the insurance market of Georgia in every insurance company, we occur similar prices on clear conditions. It has been noted, that the price of traveling insurance has been changed from 0,5 GEL to ten GEL. Although, distinct kinds of policies exist, where the price in a day is significantly high. (For instance: GPI holding business travel and annual recurrent policy

Table 2: Aldagi BCI Insurance Company (insurance conditions)

Coverage	VIP Europe	Any country in the world		For athletes
	Insurance limit 60 000 €	Insurance limit 50 000 €	Insurance limit 50 000 €	Insurance limit 5 000 \$
Emergency medical assistance	✓	✓	✓	✓
Emergency Outpatient	✓	✓	✓	✓
Urgent hospitalization	✓	✓	✓	✓
Emergency Dentistry	✓	✓	✓	✓
Emergency ophthalmology	✓	✓	✓	✓
Repatriation expenses	✓	✓	✓	✓
You can buy more				
Luggage loss	✓	✓	✓	
Flight delay	✓	✓	✓	
Luggage delay	✓	✓	✓	
Back to top	✓			

Source: ALDAGI BCI Insurance Company (2016).

Table 3: Business travel

Europe, the whole world				
Age	1-16	16-64	65-75	75-85
1 day price (Gel)	14	14	28	56

Source: Own elaboration.

Table 4 Annual multiple policies

Age	Europe				the whole world			
	1-16	16-64	65-75	75-85	1-16	16-64	65-75	75-85
1 day price (Gel)	120	120	230	448	265	265	475	896

Source: Own elaboration the first 28 days of every visit to the country is insured.

Travelling insurance on the national market is carried out by every operational insurance company over the years. A common picture in traveling insurance according to fetched premiums and reimbursed loss was:

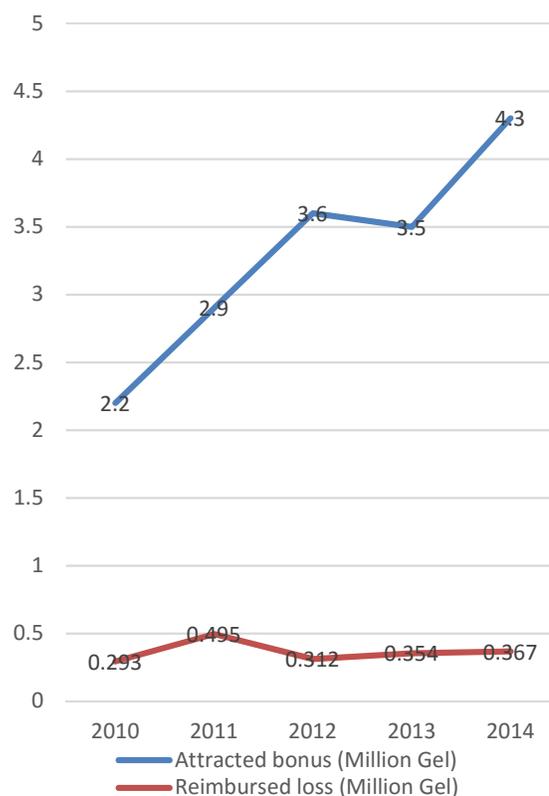


Figure 3. Attracted bonuses and reimbursed losses 2010-2014 (millions of Gels). Source: Insurance state supervision service of Georgia, (2016).

The common portion with fetched premiums on the national market is quite little. They are:

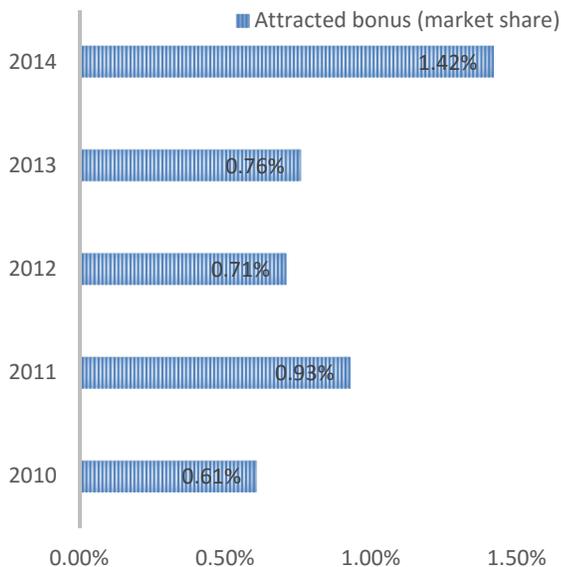


Figure 4. Attracted bonus 2010-2014

Source: Georgian Insurance Association (2016)

It has been noted, that traveling insurance had not had a specific name before 2010 and its income was calculated with various insurance and "social insurance".

4. Conclusion:

Problems of traveling insurance and ways of their improvement on the national market

As with any research, there were some limitations to the current study. At the first glance, the current study aims to explore that traveling insurance is cheap, comfortable and receptacle as for consumer as for consumer as for insurance company, although many kinds of problems have occurred in a sample of observation. Issues are problematical as for insurer as for insured. The first problem is a limitation of a choice, in spite of, although the great number of companies own traveling insurance on the national market.

The great numbers of conditions are existed, although these conditions are similar to each other. Essentially the conditions of every insurance company are similar practically and nothing is distinguished from each other. Because of a choice can't be made by the client in identical conditions. This is one of the faults of the insurance representative, which is said hardily. It has been mentioned by us that coefficient of a very low unprofitability as a second problem, wherefore underwriting has not been involved in the indicated product of the financial index practically. The part of it is low, each consumer is insured practically, wherefore its calculate is

simplified that's why not to be used the third essential problem, which is created and which is deceived expectation. According to the contract, different kinds of covered limits exist. In spite of these limits, the daily limit is considered as indispensable condition essentially, which is meant four hundred euro in a day correspondingly. According to this if treatment of the insured is more considerably expensive by the day, more than four hundred euro is not refunded despite the common limit correspondingly. If day costs five hundred euro in an appropriate initiation and one thousand five hundred euro are equal after three days payable bills. Only one thousand two hundred euro will be covered, despite recallable, fifty thousand or sixty thousand euro are a common limit of covering.

The functions of underwriting in traveling insurance must be activated once and for all, because of this it is necessarily selective. The bonus of insurance must be increased definitely. Future of special adding must occur in an appropriate condition. Appropriate conditions must be introduced by insurer, in order to prevent the problems. Many conditions, which is written about the contract must be reconsidered, their modification can be or giving liberty of choices on the insured. which is the manager of the insurance companies as far as possible.

Finally, it has been noted, that conditions of the contract should be introduced by insurer thoroughly. Although, he or she must have had many kinds of alternative, traveling improvement on the national market can occur in such cases.

Corresponding Author:

Zurab Mushkudiani, Ph.D.

Department of Business Administration, Akaki Tsereteli State University, Georgia, Kutaisi, Georgia.

E-mail: zura_8355@yahoo.com

References:

1. ABI (2008), 'The role of risk classification in insurance: Understanding how insurance is priced', a report prepared by R. Driver, D. O'Neill and A Peppers, ABI Research Paper NO. 11.
2. ALDAGI BCI Insurance Company, (2016) <http://www.aldagi.ge/ge/>
3. Anderson, J. D., C. G. Bolton, G. L. Callan, Martin Cross, S. K. Howard, G. R. J. Mitchell, K. P. Murphy, J. C. Rakow, P. A. Stirling, and G. E. Welsh. "GRIP General Insurance Premium Rating Issues Working Party." (2007).
4. Carrin, G., Mathauer, I., Xu, K., & Evans, D. B. (2008). Universal coverage of health services: tailoring its implementation. *Bulletin of the World Health Organization*, 86(11), 857-863.
5. Diamond, P. (1992). Organizing the health insurance market. *Econometrica: Journal of the Econometric Society*, 1233-1254.

6. Finkelstein, A., & Poterba, J. (2004). Adverse selection in insurance markets: Policyholder evidence from the UK annuity market. *Journal of Political Economy*, 112(1), 183-208.
7. Finkelstein, A., Poterba, J., & Rothschild, C. (2009). Redistribution by insurance market regulation: Analyzing a ban on gender-based retirement annuities. *Journal of financial economics*, 91(1), 38-58.
8. Finn, P., & Bragg, B. W. (1986). Perception of the risk of an accident by young and older drivers. *Accident Analysis & Prevention*, 18(4), 289-298.
9. Georgian Insurance Association, (2016). <http://www.insurance.org.ge/>
10. Health Insurance Coverage. Centers for Disease Control and Prevention. CDC.gov (28 February 2014).
11. Huberman, G., Mayers, D., & Smith Jr, C. W. (1983). Optimal insurance policy indemnity schedules. *The Bell Journal of Economics*, 415-426.
12. IC Group Insurance Company. (2016). <http://www.icgroup.ge>
13. Insurance Research Council (2000, 2003), Public Attitude Monitoring, Insurance Research Council.
14. Kelly, M., & Nielson, N. (2006). Age as a variable in insurance pricing and risk classification. *The Geneva Papers on Risk and Insurance-Issues and Practice*, 31(2), 212-232.
15. Sasso, A. T. L., & Lurie, I. Z. (2009). Community rating and the market for private non-group health insurance. *Journal of Public Economics*, 93(1), 264-279.
16. LEPL Insurance state Supervision service of Georgia. (2016), http://insurance.gov.ge/Medical_conditions_travel_insurance:_Your_10_need-to-knows". Money Saving Expert. 2016-04-01.
17. MoCarthy, D. and Mitchell, O. (2010). 'International Adverse Selection in Life Insurance and Annuities', in S. Tuljapurkar, N. Ogawa and A. Gauthier (eds) *Riding the Age Waves: Responses to Aging in the Advances the Industrial States*, Amsterdam: Elsevier.
18. Rees, R., & Wambach, A. (2008). The microeconomics of insurance. *Foundations and Trends® in Macroeconomics*, 4(1-2), 1-163.
19. Siegelman, P. (2003). Adverse selection in insurance markets: an exaggerated threat. *Yale LJ*, 113, 1223.
20. Simon, K. I. (2005). Adverse selection in health insurance markets? Evidence from state small-group health insurance reforms. *Journal of Public Economics*, 89(9), 1865-1877.

Received November 11, 2017; revised November 25, 2017; accepted January 09, 2018; published online February 01, 2018