

Travel Insurance: The Revolution Won't Be Covered

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Most policies don't cover things like Egypt's unrest or New Zealand's quake. They typically pay off if you get sick and need a flight home.

International travelers are cursed with interesting times: The first two months of 2011 already have been marked by an earthquake in New Zealand, mudslides in Brazil, and unrest in North Africa and the Middle East.

Scary headlines as much as worries about getting sick abroad often drive customers to buy travel insurance, says Chris Harvey, chief executive of Squaremouth.com, a site for comparing and buying travel insurance policies. Problem is, most policies specifically exclude "civil unrest" and "natural disasters" as a reason to refund a cancelled or interrupted trip. Exclusions like those make some travel experts cynical about the value of such insurance. "[The policies] are very restrictive," says Brett Snyder, president of the Cranky Concierge, a travel assistance service. "For the vast majority of travelers, it ends up being a waste of money."

While a travel insurance policy won't refund an upcoming trip to Egypt, insurance company executives say they did help customers make arrangements to get out when trouble hit. Insurance company Travel Guard, for example, helped tourists in Egypt get to the airport and negotiate with airlines, and it relayed messages to family members back home, says spokeswoman Carol Mueller. Most policies will also cover the cost of related travel delays—like lodging and meals while you're stuck—and reimburse a trip cancelled if a hotel is no longer habitable. And the scope of coverage may evolve, says Squaremouth's Harvey. Before 2001, he notes, terrorism was specifically excluded. Now most policies will refund trips to places hit by terrorists within 30 days of a visit. Travel Insured International offers "political evacuation coverage" on its most expensive package, says the company's director of product management, Judy Sutton. That covers the costs of evacuation during a trip—not trip cancellation or the full cost of an interrupted trip. "It will get you to safety," Sutton says. "But it's not going to reimburse you for [a] lost vacation."

Beware the Fine Print

Such evacuation coverage would not be a big contributor to the cost of a policy, Harvey says. In travel insurance, the most expensive option is cancellation coverage, in which you're reimbursed for a vacation's cost. It can be significantly cheaper to buy coverage that excludes cancellation coverage, including only services rendered during a trip, such as medical care and evacuation, 24-hour assistance hotlines, and reimbursement for costs of travel delays and lost luggage. According to Squaresmouth, full insurance for two 60-year-olds on a \$5,000 trip would cost \$200 to \$300, while the same trip without cancellation coverage would be insured for \$45 to \$70. Most American customers opt for the pricier cancellation coverage, Harvey says. The average policy bought on Squaresmouth costs \$230.

As with most insurance, "the devil is in the fine print," says Amy Bach, executive director of United Policyholders, a nonprofit organization that monitors the insurance industry. For example, policies can place limits on travel delay coverage, either in dollars or in the length of delay eligible for reimbursement. Baggage coverage can be affected by similar limits, meaning you might get \$800 for the loss of a \$3,000 camera.

Sometimes even the fine print of a policy doesn't provide answers. For example, volcanic ash over Europe disrupted air travel for millions of people in the spring of 2010. Some insurers interpreted the incident as weather—requiring higher levels of coverage—while others graded it a natural disaster. It's almost impossible to predict how insurers will react to such one-of-a-kind incidents, says Harvey.

If Your Carrier Goes Bankrupt

The bottom line is that most travel insurance is designed with mundane circumstances in mind, such as a sickness or injury that interferes with your trip. If you're willing to spend thousands of dollars on a vacation, it makes sense to spend a couple of hundred dollars to get a refund in case you or a family member get sick, says Jill Rosenberg, manager of executive and group travel services for AAA New York. Policies can also protect against the possibility that your airline or cruise liner goes bankrupt, which is one reason experts advise never buying insurance directly from your travel provider.

One way around almost all travel insurance restrictions is a "cancel for any reason" policy. Most travel insurance plans cost 5 percent to 7 percent of total trip cost, says Travel Guard's Mueller. A policy that allows a refund if you cancel for any reasons costs about 40 percent more than that, she says.

Restrictions apply: Usually, such policies can be bought only shortly after a trip is booked, and they often reimburse 75 percent to 80 percent of a trip's cost.

Travelers can get too focused on the news and not notice more common risks, such as the need for a medical evacuation if you fall badly ill or have a serious accident abroad. Mueller pegs the cost of a medical evacuation at \$20,000 to \$50,000. International SOS, a company that aids travelers in

emergencies, says it has assisted more than 2,000 people affected by the unrest in the Middle East and North Africa. By contrast, in all of 2010, the company conducted 19,298 medical evacuations and provided medical services to 520,699 travelers.

In other words, a broken ankle or a heart attack is far more likely to ruin your vacation than a political revolution or earthquake.