



AskEd & AnswerEd

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Travel insurance: What you really need

I get a lot of questions about travel insurance this time of the year, when travelers are finalizing their summer trip plans. A typical recent inquiry asked, "We are booking an 11-day tour including a cruise. Who has the best trip-cancellation insurance? Do I need additional coverage?" Although the subject sometimes appears to be a bit daunting, the underlying principles are straightforward.

Cover your major risks

The purpose of just about any insurance—travel or otherwise—is to reduce or eliminate your financial risk if some unforeseen event sticks you with an unanticipated bill. In the case of travel, the main risks are (1) loss of nonrefundable prepayments in the event that you have to cancel or postpone a trip, (2) unexpected expenses if you need emergency/medical treatment while traveling, and (3) damage to, or loss of, some of your personal belongings while you're traveling.

Your initial challenge is to assess each of these risks—whether you can afford the consequences, or need to insure against them.

With travel insurance, you have an additional challenge: to determine if your existing insurance covers you while you're traveling or if you need to buy additional coverage. Let's look at all three areas through those lenses.

Trip cancellation/interruption

What do cruises, vacation rentals, and other big-ticket travel services have in common? Once you pay, your payments are either largely or completely nonrefundable, especially if you cancel a few weeks or days before scheduled departure. Anytime you have more than, say, a few hundred dollars in nonrefundable prepayments at risk, you should think about trip-cancellation insurance. It reimburses you for any prepayments you can't recover if you're forced to cancel a trip for a "covered" reason. Although specific lists of covered reasons vary a bit from supplier to supplier, the core listing is common. You, a close family member, or a traveling companion suffers illness or an accident, gets called to jury duty or subpoenaed as a witness, or has a fire that makes home uninhabitable; also, if terrorism breaks out in your destination, your tour operator fails, and a bunch of related calamities. Similarly, almost all policies exclude self-inflicted injuries, injuries resulting from a high-risk activity, and such.

Trip-interruption coverage, the complement to trip-cancellation, reimburses you for any

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additional expenses if, during your travels, you have to cut a trip short because of any of the covered reasons. Both coverages are almost always sold together as trip-cancellation, which I abbreviate as TCI.

Most TCI policies deny coverage if you cancel because of a recurrence of a "pre-existing medical condition" you've had within three months, but most of them also waive that exclusion if you buy your insurance within seven to 14 days (depending on the supplier) of making your nonrefundable deposit. Only one set of policies—from TravelSafe—covers cancellation for any reason, including business exigencies.

TCI is one coverage you almost certainly don't have from any other source. If you need it, you need to buy it as a travel policy.

Medical/emergency evacuation

If you fall ill or have an accident while traveling outside the U.S., you may face immediate requirements to pay local doctor and hospital bills. In a worst-case scenario, you might have to pay for high-cost emergency evacuation from a remote area either to a major medical center or back to the U.S. Travel medical/emergency-evacuation insurance, which I abbreviate as Medevac, covers all of those contingencies.

Unlike TCI, however, your existing medical insurance may well cover you while you're traveling, anywhere in the world. Even HMOs often include provisions for reimbursing you if you need medical services outside the HMO's service area. Most Medevac insurance is secondary, meaning that it pays only the amount you can't first recover from other sources—in the case of Medevac, from your regular medical insurance. So if your regular medical insurance covers you while traveling, buying extra Medevac can be a complete waste of money.

If you're a senior, you probably already know that Medicare doesn't cover you outside the U.S. Some supplements add overseas coverage, but usually only a moderate amount.

Even if your regular medical insurance covers you outside the U.S., it may not cover emergency evacuation. If you're heading to a remote area of the world where local health coverage may be poor, consider Medevac even if you don't need the other medical benefits. Some insurers plug emergency evacuation as their primary product, with or without other coverages.

Clearly, the amount and type of Medevac you need depends on (1) the risks which you might encounter and (2) which of those risks are covered by insurance you already have. A quick assessment of conditions at your planned destination(s) and the provisions of your current medical insurance should let you reach a decision quickly and easily.

Other travel insurance

Travel insurance companies offer a bunch of other coverages, including theft of valuables, lost or damaged baggage, expenses during a delayed or cancelled flight, collision coverage to a rented car, and others. I'm generally negative about such additional coverages:

- Your regular homeowners' or household policies cover many of those risks, even while you're traveling. And airlines and cruise lines are responsible for reimbursing you for lost or damaged baggage and for at least some expenses of cancellation or delay. Since a travel policy is likely to be secondary, you may well find your claim denied even when you suffer a loss.
- Even if you suffer loss, damage, or theft, travel policies generally exclude the more vulnerable of your possessions: cash, valuable documents, jewelry, cameras, electronics, and such. Your best bet is not to carry expensive stuff you don't really need—jewelry, currencies, and valuable documents especially—and instead leave it at home.

These coverages are often bundled into comprehensive policies with TCI and Medevac. If you get them anyhow, fine. But don't buy an expensive gold-plated policy just to add them if you can get the same essential coverages for a lot less money through a bare-bones policy.

Alternatives

Many cruise lines and tour operators sell their own travel insurance. Sometimes, it's true insurance from one of the regular suppliers. In other cases, it really isn't insurance at all, but instead a "waiver" of the usual cancellation fee. Buying insurance or a waiver from your cruise line or tour operator is often less expensive than buying a separate policy from an independent agency, but it entails two risks:

- Some programs—especially the waivers—do not cover TCI right up to departure, and many don't cover trip-interruption at all.
- Even when it's from an independent supplier, travel insurance does not cover you for the financial failure of the supplier that sells you the policy.

For those reasons, I generally recommend against buying your insurance from a cruise line or tour operator. However, some of the better cruise lines and tour operators offer attractive programs, which you might at least want to examine.

Buying your policy

Your first step is obvious: Identify and add up the risks you face. That tells you what kinds of insurance you'll need—and how much of each. Keep in mind that it does you no good to overbuy.

Your next step should be to take a look at the programs your cruise line or tour operator might offer. Even though you may well decide against it—for the reasons just mentioned—it can serve as a benchmark when you start checking the other options.

If you need TCI, you'll find that independent travel insurance suppliers almost always sell it in bundled policies that also include Medevac and usually some other, less important coverages. Chances are, then, that one of the bundled policies will be your best bet. However, if all you need is Medevac, you can buy that separately.

The Internet has made buying travel insurance a snap. Several online agencies have developed websites where you can enter your personal and trip particulars and the site then displays a bunch of policies from major suppliers—with prices—that meet your needs. I see no reason not to take the least expensive option. Among the online travel insurance sites are [1TravelInsurance <http://www.1travelinsurance.com>](http://www.1travelinsurance.com), [InsureMyTrip.com <http://www.insuremytrip.com>](http://www.insuremytrip.com), [QuoteWright <http://www.quotewright.com>](http://www.quotewright.com), [squaremouth.com <http://www.squaremouth.com>](http://www.squaremouth.com), [Total Travel Insurance <http://www.quotetravelinsurance.com>](http://www.quotetravelinsurance.com), [Total Travel Insurance <http://www.totaltravelinsurance.com>](http://www.totaltravelinsurance.com), and [TravelersMed.com <http://www.travelersmed.com>](http://www.travelersmed.com).

You'll quickly notice that the cost of travel insurance increases with age—dramatically so when you go past 75 years. I've seen several policies for 80+ travelers that cost up to 25 percent of the total trip cost. If you're over 75, you might well want to consider paying a bit more for refundable travel services rather than exorbitant insurance premiums.

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