



Trip Cancellation/ Interruption Insurance:

“To Buy Or Not To Buy—That Is The Question”

Bruce Cappon

In general, the preferred recommendation is to evaluate whether your non-recoverable losses incurred due to a trip cancellation and/or interruption are “financially self-manageable.” Resist the usual sales pitch to buy insurance. Consider whether self-insuring is a more appropriate solution, subject to your personal risk tolerance threshold.

Bear in mind that certain cruise operators may offer a voucher for future use for all or a portion of the value of a cancelled trip. If so, consider whether this would provide sufficient cost recovery. If yes, then simply insure any applicable excess costs.

What if you decline the voucher? Verify whether the insurance carrier would provide reimbursement for this dollar value. There are insurers who do NOT reimburse you for your cash values where vouchers are offered yet declined by the travelers. You’ll want to go with a provider that puts the decision in your hands. Certainly you won’t receive duplicate compensation.

WARNING

Often travelers are motivated to purchase coverage based on their prior knowledge that a trip may be cancelled due to personal pre-existing health issues or those of an ailing family member (or trip companion). Under these circumstances, to cut the risk of anti-selection, insurers insert a policy exclusion clause whereby no coverage would be payable if your claim is caused by “unstable” health issues. Shop for a policy with minimal exposure to the stability period required, typically 60 days. Some plans may require up to 365 days for the stability period.

Also, be aware that most providers, typically travel agencies, require a very short purchase window, often seven days. Whatever the pre-requisite term may be, be careful not to exceed it or your claim could be denied.

To avoid making a rush decision, consider a policy with an open-ended purchase window. The downside is that a waiting period, for example three days, could apply on sickness (but not injury).

Quick Tips For Those Who Wish To Purchase Insurance

Unlike many policies available from travel agencies, shop for coverage that allows you to purchase up to the maximum reimbursement amount. With many carriers, it’s an all-or-nothing proposition.

Given the option, you may consider insuring only a portion of costs and self-insuring the balance.

Very Attractive Rates For Snowbirds/Seniors

When purchasing out-of-province/country medical insurance, inform your insurance provider of your dual interest in a quote for Trip Cancellation/Interruption.

Certain carriers offer access to special plans with incredibly low rates when purchased in conjunction with the medical plan. How is this possible? The recommended Trip Cancellation/Interruption plan could utilize a uniform rate for all ages. Most insurers offer only age-banded premiums.

This blended rate is particularly attractive to seniors.

How Attractive?

Example:

- a) Age bracket 75-79 = 30% discount;
- b) Age bracket 80-89 = 45% discount

So Does that Mean Younger Travelers Subsidize The Lower Premium For Seniors?

Not necessarily. A good broker will direct younger travellers to an alternate plan based on age-specific premiums.

Taking One Or More Trips Over The Next Year? Costs Can Be Significantly Reduced By Purchasing A "Multi-Trip Cancellation/ Interruption Plan

If you're planning on taking two or more trips, consider an unlimited multi-trip plan based on a yearly aggregate sum insured. In other words, if you do NOT claim (or partially claim) on prior trips then the residual coverage is carried forward to future trips.

So How Much Could You Save?:

A multi-trip plan vs. two single-trips = 25% Discount;

A multi-trip plan vs. 3 single trips = 50% discount

*Assuming claims-free.

Do You Really Need Both Trip Cancellation and Interruption?

Most plans sold in the industry do NOT offer you a

choice. There are major discounts available if you prefer to cover only the Trip Interruption portion of your trip. Costs for interrupting a trip can often be greater than for pre-trip cancellation penalties. Look for a policy, which offers the option to purchase the Trip Interruption on its own.

So How Much Is The Premium Savings?

You can reduce your premiums up to a whopping 80%.

Finally, although it may be very convenient and tempting to obtain coverage through your travel agent, when it comes to travel insurance, I would recommend consulting an experienced travel insurance broker.

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