

Insurance : Caught out of cover when disaster strikes

Jane E. Fraser July 24, 2011

Paid for travel insurance but still left out of pocket? A closer look at your policy can ensure a volcanic ash cloud or broken camera doesn't cause even more frustration.

SO, YOU are not one of the crazy souls who goes overseas without travel insurance but you can get it wrong even when you're trying to do the right thing.

Travel insurance - as with most forms of insurance - is complicated, confusing and adorned with pages and pages of fine print that is a hard slog to work through. After many years of travelling and studying travel insurance policies, I still managed to get it wrong recently when I took out a policy in a hurry and failed to check all the conditions.

Whether you are a frequent traveller or an occasional holidaymaker, finding a policy that ticks all the right boxes is not easy. The Financial Ombudsman Service says travel insurance is one of the four most complained-about products in the general and domestic insurance category, which accounts for the bulk of insurance disputes in Australia.

And the Department of Foreign Affairs and Trade says that while travellers with no insurance are the greatest problem, it also sees cases where travellers have taken cover but failed to get the right type.

So let's look at some of the most common traps in travel insurance policies and how to avoid them, to ensure the money you commit to insurance is well spent.

One of the biggest mistakes you can make with travel insurance is not taking out a policy as soon as you have booked your trip. It is possible to take out a policy any time up to your departure date but getting coverage straight away gives you maximum protection against cancellation or any unforeseen changes.

With major events such as volcanic ash and political unrest, insurance companies draw a clear line between those who took out policies before knowing about the risk and those who didn't.

Travel insurance is designed to protect against the unforeseen, so once a situation emerges it is too late to insure against it.

Another trap is failing to cover individual items of value. This is particularly relevant in the age of the "always-connected traveller", when so many people are carrying laptops, digital cameras and other expensive gadgets. Most insurance policies have a per-item limit, so don't just look at the total amount for baggage and assume you are covered.

You often need to take out extra cover for high-value items, although some policies have higher limits for cameras and computers, so it's a good idea to shop around. Another area to watch is how the value of an item is calculated if it becomes lost or damaged.

This is where I got caught recently when I tried to claim on a digital camera that was water damaged on a hiking trip.

Many insurers offer new-for-old cover but my policy was based on market value, which is something I would have avoided if I'd realised. After depreciation was applied, my four-year-old camera was deemed by the insurance company to be worth almost nothing; the fact it was a perfectly good camera until it got wet was irrelevant.

A big source of insurance disputes is travellers' failure to declare pre-existing medical conditions. Many pre-existing conditions qualify for automatic coverage but there can be fine print, such as how long you've had the condition, so always check.

Another area to watch is exclusions on particular activities. Most travellers understand that high-risk activities such as skydiving are not automatically covered - or covered at all - but there are many less-obvious ones such as riding motorbikes, playing football or even sailing that can also be excluded.

Travel insurance cover can also be invalidated when injuries are caused by being under the influence of alcohol or drugs.

Now for the good news: the chance to save some money. Many travellers are not aware their travel insurance policy includes coverage for car-hire excess payments, or the excess payable if you damage the vehicle. **Car rental staff** can be determined to sell you excess waiver coverage but there is no need to take it up if you are already covered. In fact, I usually find taking out a travel insurance policy is cheaper than paying a car rental damage waiver — and you get all the other benefits that come with it.

The credit crunch

If you rely on travel insurance offered with your credit card, make sure you check the conditions. Credit card-based policies tend to have strict eligibility requirements, such as having to pay for a certain percentage of travel arrangements with the card. The Insurance Council of Australia and the Financial Ombudsman Service advise travellers to carefully read the conditions attached to credit card policies. Travel Insurance Direct general manager Ian Jackson says he regularly hears "tales of woe" from travellers who have assumed they have full coverage through their credit card, only to discover it falls short

Get correct advice from an authorized Travel Agent who is privy to your travel arrangements. pay extra but get covered better !