Is it wise to rely upon travel insurance that is received when a credit card is used to pay for overseas travel?

Paying by credit card to obtain the ‘free’ travel insurance for overseas travel that comes with the credit card CAN BE *smart* provided the travel insurance is activated and the cover is satisfactory and ***you consider if you do so how much (if any) extra Merchant Fees you need to pay to use your card as rarely it is free and usually amounts to 2% to 4% additional cost on top of your travel spend.*** This amount may be so high as to negate any $$ savings and you may as well get your Travel Agency to issue a more comprehensive and detailed Insurance policy protection plan with conditions in your hand before you travel. Read on.

Credit card travel insurance is different from stand-alone travel insurance because it must be activated – which means a minimum spend threshold spent on a return airfare which is pre-paid before leaving Australia, using a ‘premium’ credit card. With stand-alone travel insurance, the premium is paid and the policy is activated when an insurance certificate issues. Some policies insist that the entire travel booked needs to be paid via card!

Credit card travel insurance covers normal travel and normal incidents. But any departure from normality, such as pre-existing medical conditions, exceeding upper age limits, wanting additional travel benefits, engaging in dangerous recreational activities, might mean no cover. If so, a stand-alone travel insurance policy is needed.

What is credit card travel insurance? Many credit card issuers provide travel insurance cover free of charge if the cardholder pays for overseas travel using their credit card.
Credit card travel insurance covers cancellations, lost luggage and personal effects and medical, hospital and dental expenses. The extent of the coverage varies depending on the credit card used. As with all travel insurance, pre-existing medical conditions are excluded and upper age limits apply.
The travel insurance covers the whole holiday if the credit card is used to pre-pay airfares, accommodation or a tour before leaving Australia.
The coverage is comparable with normal stand-alone travel insurance cover because it is provided by the same Master Policy issuers, notably Allianz, Zurich and QBE.
It is generally the ‘premium’ credit cards (Gold and Platinum), where a sizable annual fee is payable, that provide travel insurance cover. Some ‘premium’ debit cards also provide cover.

ASIC says that cardholders find it hard to tell what cover they are getting
ASIC sees cardholders as suffering from *poor disclosure* of the travel insurance policy terms.
ASIC’s Deputy Chairman Peter Kell has identified this shortcoming in the ASIC (Australian Securities & Investments Commission) media release of 2 June 2015:
Having travel insurance is essential … on an overseas trip … for when things go wrong. Credit card issuers and insurers must clearly set out what is and what is not covered by a policy, so that consumers can work out if they are adequately covered.
Based on consumer complaints received by ASIC and the Financial Ombudsman Service about credit card travel insurance, ASIC is working with 17 credit card brands to improve disclosure, particularly to make it easier for cardholders to locate insurance policy terms and conditions on credit card issuer websites.

The key terms in a credit card travel insurance policy Credit card travel insurance has key terms which are not found in stand-alone travel insurance policies. ASIC has identified these key terms as its focus for improved disclosure:

- **Eligibility: When is the credit card travel insurance cover activated?**

The ‘plan activation’ requirements are usually:

- The ‘minimum spend threshold’ – whether it is the whole travel cost *or* at least 50% of the cost *or* at least A$250, A$500 or A$1,000, that must be spent on a return airfare, accommodation, or an organised tour overseas; *and*
- Travel costs need to be *prepaid* on the credit card *before* leaving Australia. A *return* overseas air ticket / travel ticket must be paid for; *and*
- The credit card must be held by an Australian resident / 457 visa holder.

Once these requirements are satisfied, cover is automatically activated (no notice is required). Cover is limited to a travel for up to 3 months for some cards, 6 or 12 months for others.

- **Eligibility: Can reward points be used to 'pay' for the travel costs?**

Credit cards which are linked to an airline such as Qantas or Virgin will allow reward points on the credit card to be transferred to the airline's frequent flyer / loyalty points program, to book flights or flight upgrades.
Some credit card issuers offer to redeem award / reward points if the cardholder books specific accommodation packages.
Care must be taken to ensure that reward points are counted to meeting the 'minimum spend' requirements.

- **Eligibility: Do the family and supplementary cardholders have cover?**

Payment by the primary credit card holder for travel costs for their spouse and two dependent children (under 21) will extend the travel insurance cover to them, if they travel with the primary credit card holder for the entire journey.
A supplementary card holder who pre-pays for their own travel costs with their credit card will be covered.

- **What documentation is required to make a claim?** Apart from the air ticket, accommodation or tour payment receipt, receipts and accounts for claimable expenses need to be produced to the travel insurer when making a claim.

Some credit card issuers require that the credit card is used for these payments. Lost luggage and documents must be reported to the carrier immediately; otherwise to a local authority within 24 hours – a copy of the report is needed.
Extra benefits with credit card travel insurance Credit card travel insurance has extra benefits which are not found in stand-alone travel insurance. These are: credit card travel insurance applies to travel worldwide outside Australia; it can provide substantial accidental death benefits, and good rental car excess cover. And if a travel supplier cannot provide the travel (because of insolvency), a credit card chargeback is available.
If a cardholder has stand-alone as well as credit card travel insurance, they cannot 'double dip'. The rule is that the claim is made against the stand-alone insurance first, and if that does not satisfy the claim, against the credit card insurance for the remainder.

Conclusion Paying by credit card to obtain 'free' travel insurance CAN BE smart because it does provide all the cover needed for a normal holiday for an individual or a family.
But if it is a holiday with recreational activities such as skiing, or there are pre-existing medical conditions, or the age is above the upper limit, or a lower excess is desired, or the tour operator requires a policy certificate, it is better to look around for a stand-alone travel insurance policy but via the Tarvel Agencu who is contactable and can assist in emergency plans if so required.

While stand-alone travel insurance cover is effective when payment is made and the certificate of insurance issues, you can rely on credit card travel insurance cover *only if* it is 'activated'.
Careful attention needs to be paid to 'activation' because no certificate of insurance is issued when the travel cost is paid by credit card. It is only when making a claim that the traveller will find out whether or not their travel insurance has been activated, when it could be too late!
Buyer beware and also remember that saving some money via free Travel insurance (supposed!) protection may cost you a lot more than money ! When it is too late- it is too late!
Even "doubling up" on Insurance is better than being unsure!