

No, Travel Insurance Doesn't Cover Coronavirus. Here's What Else to Know

 thepennyhoarder.com/insurance/coronavirus-travel-insurance/

July 21, 2020

by Tiffani Sherman

Contributor

Instead of taking trips to far off locations, these days many travelers are finding themselves going from the bedroom to the living room, with a side trip to the backyard.

But for many people who planned trips pre-pandemic to actual remote destinations, they're finding it difficult to get their money back, even if they have travel insurance.

"I definitely think that there was that element of surprise when people found out that in some cases pandemics are actually excluded from certain policies," says Kasara Barto, PR Manager for Squaremouth, a travel insurance aggregator. "When you purchase travel insurance, it can cover the majority of travelers' concerns like inclement weather, illness or injury before your trip. However, something like this has never happened before so there just was not coverage written into policies for something of this magnitude, unfortunately."

The coronavirus is changing travel insurance.

What is Travel Insurance?

Travel insurance comes in all shapes and sizes, and each policy and company covers different things. Since it is named peril insurance, it only covers specific situations, losses and events that are listed in plan documents.

Most travel insurance policies cover losses up to a certain level and provide assistance for:

- Delayed or lost baggage.
- An illness while traveling.
- Necessary medical care while traveling.
- Medical evacuation.
- Delayed or canceled transportation.
- Trip interruption.
- Trip delay.
- Access to assistance while traveling including replacing lost documents.

If the policy includes a cancellation clause — and not all do — the policy holder can usually cancel travel plans up to a certain point for a covered reason.

Some covered reasons can include:

- A terrorist event happens at the destination.
- A serious covered illness or injury to a traveler, traveling companion, or family member.

- The death of a traveler, traveling companion, or family member.
- Job termination.
- Airline, cruise line, or other carrier stops operating for a set period of time due to a strike, natural disaster, bad weather or FAA-mandated shutdown.
- The birth of a family member's child.
- A natural disaster, fire, flood, burglary, or vandalism impacts your destination or your home.
- A traffic accident on the way to the departure point.

Notice that “pandemic” isn't on either list.

“Travel insurance policies will cover the specifically listed reasons that are in the policy certificate and you should not assume that if you don't see it listed there that you have coverage for it because if it's not listed, there's not coverage,” Barto warns.

Here's another notable exclusion, given the ongoing pandemic: Don't expect money back if you just don't want to go on a planned trip.

“We don't cover for fear of travel,” says Christine Buggy, vice president of marketing for Travelex, a large provider of travel insurance. “Our plans don't let you cancel because you're afraid to travel.”

A few policies allow customers to add “cancel for any reason” coverage to a policy for an additional cost, often 40% of the total trip cost. As a result of the pandemic, many companies have removed that option for new policies, but some insurers still offer it.

Depending on the policy, you can cancel the trip up until a few days before departure, but even then there are limitations.

“You will only get 75% of your insured trip costs back,” Barto says. “But that does give travelers a lot of assurance that if something happens and it's not covered by a standard policy, they can still cancel the trip and get at least a portion of the trip costs back.”

Why is COVID-19 Not A Covered Reason?

Insurance is designed to cover the unexpected. You can't buy hurricane coverage once a storm is on its way or car insurance after an accident. Many travel insurance companies are looking at COVID-19 the same way. When something becomes a foreseen event, it is no longer unexpected.

“Basically, for any event that occurs, be it financial default, hurricane, or earthquake, the providers issue a specific date where they consider that an event has had a foreseeable impact on travel,” Barto explains, adding that most of the policies Squaremouth aggregates list a date between January 21-27, 2020, as the date COVID-19 became known to the general public.

There are some ways COVID-19 might be covered. “If you were diagnosed with coronavirus by your doctor and they tell you you can't travel, you would be able to cancel your trip,” Buggy says. “Or if you were on your trip, we would pay for you to come home again.”

According to Squaremouth, searches show 36% of travelers are looking for cancellation and medical coverage specifically for COVID-19.

But cancellation is not the only reason to buy travel insurance.

“You may very well need that policy for reasons outside of what you’re purchasing it for today,” warns Michele Rosenberg, operations director for travel company Amazing Journeys. “I think everybody’s now got tunnel vision and it’s all COVID-related and I understand that, but hopefully we do get to the other side of this, and then you need to make sure you’re still insuring yourself appropriately.”

People might lose luggage, miss a flight, lose a job or something else and find out their plan doesn’t include good coverage for that because they were so focused on cancellation or COVID coverage.

“Read through the policy documents or talk to the provider to make sure what you have concerns about can be covered,” Barto recommends.

The Future of Travel Insurance

Travel insurance companies are adapting and evolving. For example, the list of covered reasons may change, as it has over time.

Barto says before 9/11, terrorism was usually not a listed reason but it often is now. “It wasn’t something that travelers were concerned about and travel insurance is designed to cover travelers’ main concerns,” she says.

Like Rosenberg, Barto anticipates other changes to policies after the pandemic. One change might be adding coverage if the Centers for Disease Control and Prevention or other government agencies issue a travel alert or warning.

But change won’t happen instantly. “It’s definitely a process and any policy changes do take time, but we’ve seen providers really taking into consideration what these new travel concerns are going to be,” Barto says.

Buggy says the likelihood of travel insurance companies covering all things coronavirus is slim. “To cover the possibility of people canceling for fear of getting coronavirus, the rates would be too high or it wouldn’t be even feasible to cover,” she says. “We always want to keep our plans economically feasible.”

Rosenberg stresses the importance of vetting providers. She suggests asking customers received refunds or were allowed to transfer policies to another trip at a later date.

“Know how they have handled the last few months, ask those questions because that will give you even more comfort level, just knowing how things have been handled during these months of crisis,” she says.