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Do you need 'cancel for any reason' cover?



Here are the things to keep in mind if you want to insure your trip for last-minute cancellations.

by Kumar Shankar Roy

Two days before his trip to the Maldives, Raj's dog fell sick and had to be hospitalised. Delhi-based Raj cancelled his trip, relying on the Cancel For Any Reason (CFAR) travel insurance on his credit card, to reimburse his losses. However, his ₹20,000 airfare claim was rejected because he had overdue payment on the card. While buying a CFAR cover may be a good idea to deal with last-minute trip cancellations, it may not always work out for you. Here's what you should know about this travel insurance before you buy one.



What is CFAR travel insurance?

A CONVENTIONAL TRAVEL INSURANCE may offer trip cancellation or delay benefit, but only if there is a medical emergency. So, while a standard plan requires a specific reason for trip cancellation, CFAR travel insurance allows cancellation for any reason, covering change of mind, personal reasons, work commitments, or relationship change with a travel partner. It covers unavoidable trip cancellations due to sudden and unpredictable events, including terrorism, natural calamities, and serious injury or sudden sickness requiring minimum three days' hospitalisation of the insured person, his spouse, parent or child, who are also booked to travel with the insured person.

The cancellation event must not be publicly known before the policy issuance date and should be before the policy commencement. The 'no questions asked' feature offers a more flexible and broad coverage option.

This flexibility in cancellation has led to CFAR becoming a ₹125 crore premium market, with the potential to reach ₹250-300 crore by 2024-25, as per Howden Insurance Brokers India.

Where can you buy it?

ALMOST EVERY MAJOR general insurer has this offering filed with the regulator, but is generally not available for sale because it's a very high-priced product and can be a loss-making proposition for the insurer.

It is available as an independent

plan, but is more often offered as an add-on or a supplementary product tagged on with the regular travel insurance. For instance, XCover.com's CFAR plan is sold by EaseMyTrip for its flight tickets.

It is also offered as a benefit with

credit cards that partner with insurance brokers, and is free up to a certain limit. For instance, credit cardholders of IDFC FIRST Bank, which has tied up with insurance broker, Howden, for this facility, are covered for the non-refundable amount of flight/hotel booking.

What does the policy cover?

WHILE SOME PLANS cover both domestic and international flights (Bajaj Allianz General Insurance, XCover.com), others cover only domestic flights (TATA AIG Cancellation Guard). "Typically, CFAR policies cover up to 75% of trip expenses or booking costs, though some cover only 50% of the booking amount," says Manas Kapoor, Business Head, Travel Insurance, Policybazaar.

CFAR policies only reimburse the non-refundable amount on cancellation of travel bookings. For instance, redeeming of airline rewards and getting miles redeposited do not qualify for reimbursement. If you are given a partial voucher/credit for the trip or have leftover unreimbursed expenses, you can claim the remaining amount. Some policies may not refund if the tour operator cancels the trip, as refunds are typi-

cally handled by the operators.

CFAR coverage varies among insurers. So Bajaj Allianz's CFAR includes expenses like accommodation charges, travel expenses, and pre-booked events for both domestic and international trips. In contrast, TATA AIG's coverage focuses on domestic air travel cancellation and rescheduling.

Some policies cover cancellations done at least 24 hours prior to the travel/stay date. "Depending on policy terms, the cancellation window before flight departure varies," says Amrith Dubey, Vice President, Travel Insurance, TATA AIG General Insurance. It's best to raise the claim two days before the trip start date. For bus trips, some online platforms reimburse non-refundable, prepaid amounts no less than six hours before departure.

How much does it cost?

THE FLEXIBILITY THAT CFAR insurance offers comes at a price. The premium for CFAR policies can be as high as 20 times that for a regular travel policy. For instance, according to Bajaj Allianz General Insurance, a normal overseas policy with a sum insured of US \$50,000 (with a trip cancellation cover of \$1,000) will cost around ₹1,000. However, the same policy with a CFAR cover, without co-payment, will have a premium of above ₹20,000.

Some plans offer lower premiums with a 20% co-payment option, which means you will receive 80% of the approved claim amount. A Bengaluru-Abu Dhabi return flight ticket worth ₹95,000 can be protected for CFAR by paying ₹23,000 (24% of ticket cost). For a Bengaluru-Delhi return flight (business class) costing ₹75,000, the CFAR cost will be ₹15,250 (20% cost of ticket).

What are the exclusions?

THE GOLDEN RULE is that the occurrence leading to trip cancellation must not be known or publicly disclosed before the policy issuance date. "An example of such an event is the trip cancellation due to visa refusal," says Amrith Dubey, Head, Health SBU and Travel, Bajaj Allianz General Insurance.

Importantly, cancellations due to government mandates, grounding of common carriers, or widespread events like pandemics or epidemics, fall outside the coverage of the CFAR policy, cautions Dubey of TATA AIG.

When can the claim be rejected?

IF THE INSURER IS able to prove that the trip cancellation reason was known or publicly disclosed before policy issuance, the claim can be rejected.

In cases of customer-induced flight cancellations due to serious injury or sudden sickness of the insured person/spouse/parent/child, proof of a minimum of three days' hospitalisation may be required, and failure to do so could see your claim being denied.

In credit cards, there are a lot more stringent rules and additional eligibility conditions, possibly because these are free. These include maintaining an active card with at least one transaction in the preceding calendar month, no overdue amount on any card issued to the primary holder and add-on cardholders, and CFAR coverage being limited to hotel bookings for 4/5 star properties. If you do not fulfil these conditions, your claim can be rejected.

If you pick the cover from an insurer, the claim rejection is not very high because the product offers very broad coverage.