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Roseman: A couple's costly travel insurance mistake

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You book a vacation, but you have to cancel at the last minute because of an illness or injury that makes it impossible to travel.

No problem, you say. You can get a refund because you paid for the trip with a credit card that offers travel insurance benefits.

Then you find out your credit card has trip interruption insurance, not trip cancellation insurance — the benefit you need to get reimbursed.

It's easy to get confused. Trip cancellation insurance protects you if you get sick before you travel. Trip interruption insurance protects you if you get sick while you're away.

Many people don't know what kind of travel benefits they have on their credit cards. They never think about it until something goes wrong.

Carole and Ken Brown's story should make you sit up and listen. They had an RBC Visa Infinite Avion card and used their travel rewards to book a trip to England last July.

"Unfortunately, I developed a problem with my eye, in which my eyelid was nearly closed. So, we cancelled this trip," says Carole.

They already had a CARP travel insurance policy, which covered them for trip cancellation. But their claim was denied because they had paid with frequent flyer points. Then, they checked their RBC Avion card and found they were covered only for trip interruption and flight delays.

"We have since changed to RBC Rewards Visa Preferred, which does offer trip cancellation coverage," Carole says.

I was surprised to hear you could be denied insurance if you got a free trip with reward points. So, I asked Milan Korcok, a retired medical journalist who runs a consumer advice website, www.travelinsurance.com.

"I recall seeing language that precludes trip cancellation coverage for trips earned by rewards. Since the trip was not paid for by the clients, it doesn't qualify as reimbursable," he said.

"I understand the clients 'paid' for the travel by their previous transactions, but they didn't pay out any dollars for this trip. Thus, there was no loss.

"Insurers use the same rationale to not cover flight or cruise cancellations if the carrier issues a voucher for future travel. There's no loss, as the carrier is promising to make good."

Carole Brown asked Active Care Management (which handles claims for the McLennan Group, CARP's travel insurance partner) why it didn't disclose the lack of coverage for trips paid for with reward points.

"The claims department couldn't tell us where it said so in the policy, but still maintained we were not covered," she said.

Korcok agreed with Brown about the importance of clear disclosure.

"Most policies I'm familiar with bury this provision deeply into the weeds," he said. "Since so many trips these days are done on reward points, insurers should be up front about these kinds of limitations."

In his view, trip cancellation policies are the most poorly explained and misunderstood travel products in the market.

"They are full of exclusions, limitations and contradictions. You really need a roto-rooter to get to the heart of what is covered and what is not."

By now, you're probably getting curious — if not worried — about your own credit card coverage. What do you have and what do you need?

Luckily, there's a new online tool that can help you do the legwork in searching for information about credit card benefits.

The Credit Card Navigator, available at www.insureye.com, allows you to browse through a database of more than 150 credit cards from major banks and retailers.

You'll find 19 credit cards that have trip cancellation coverage, compared to 35 cards that have trip interruption coverage.

Some credit cards, such as Scotia Gold Passport Visa (\$110 a year) and BMO World Elite (\$150 a year), have both kinds of insurance coverage.



Stranded passengers at Newcastle International Airport, England, May 16, 2010.

SCOTT HEPPELL/AP

Other credit cards, such as CIBC Aerogold Infinite Visa (\$120 a year) and American Express Gold Rewards (\$150 a year), have trip interruption only — and offer a trip cancellation option if you pay for it.

And some cards, such as BMO Gold Air Miles MasterCard for Business, offer only trip interruption coverage.

“We want to help you manage the benefits you have on your credit cards and see where the coverage overlaps,” says Alexey Saltykov, co-founder of the InsurEye website.

Also read:

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