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The closure of both domestic and international borders has led to many travellers attempting to claim their travel insurance. With the recent deluge of claims bringing travel insurance into focus, we would like to discuss some of the key clauses that you need to be aware of when signing up to a travel insurance policy, and ultimately the clauses that will be relied on by the insurer if you are required to make a claim.

On the surface, travel insurance sounds like a simple transaction - you pay the insurer a premium as consideration for expecting to be compensated for losses which may occur as a result of a future uncertain event. However, like other forms of insurance, the complexities within your travel insurance can be taken for granted. The complexities that we refer to are the terms of your travel insurance policy. It is extremely important for you to understand that insurers will seek to rely on the terms of the policy when you make a claim, and not necessarily the circumstances that bring about the claim. Accordingly, it is important for you to consider and understand the terms of a policy before signing up. To assist, we will provide a basic summary of key travel insurance clauses.

### **Key points to consider**

The most important thing to do when looking at an insurance policy is for you to understand the terms of the policy. Reviewing the policy in a diligent manner includes reviewing the following provisions.

#### *Ambit of cover clauses*

The insurer often includes in its policy, clauses which specify the risk(s) that the insurer agrees to cover you for. Travel insurance policies generally provide cover for cancellation, medical or other travel expenses that are related to unforeseen circumstances.

#### *Exclusions*

As well as outlining what the insurance policy covers, insurance contracts invariably incorporate specific exclusion clauses which set out the boundaries of risk the insurer agrees to cover. There are a few common exclusions that can catch people out.

The first and the most topical at the moment with regard to the COVID 19 pandemic is 'known events' – otherwise known as 'foreseen circumstances' - which are excluded from cover in travel insurance policies. Broadly speaking these are major events like a natural disaster or – as we are all currently experiencing – a disease outbreak, which the insurer deems you could have reasonably been aware of before you booked your trip.

A key point to consider is that different insurers are responding differently to COVID – 19. What we mean by this is that insurers are accepting different dates for when COVID – 19 became a known and foreseen event. Once an event is deemed 'known and foreseen' the risk of cancellation of flights and bookings is excluded from coverage on and from that date. What this means for you is that, if you purchase travel insurance, or made new travel arrangements after the cut off date, the insurer will likely decline to reimburse you for losses such as cancelled flights and holidays.

The second common exclusion is that many policies will exclude travel to areas that are subject to a 'do not travel' advice from the Australian government. If that advice is in place prior to the date travel is purchased, then it is highly likely that coverage will be excluded.

Thirdly, if you choose to cancel or postpone your travel, many policies require cancellation to be 'necessary' and not simply a choice. At what stage cancellation becomes 'necessary' is ultimately a matter of interpretation. However the point in which cancellation becomes 'necessary' can be influenced by factors such as airline cancellations and government travel bans.

### **Is cover provided for expenses that are settled with a third party?**

Another thing to keep in mind are clauses which prevent you from claiming on an insurance policy where you have already settled the loss from another source. On one level this makes sense: you should not be able to make a claim from a third party and the insurer for the same loss, which would be a windfall.

However, you can get caught out where you settle with a third party for a low amount, thinking that you can claim the balance from your insurer. As an example, we have recently seen cases where the insured has cancelled air travel. The airline offered a travel credit but for an amount substantially lower than the price of the tickets. The insured, thinking they would recoup the remainder from their insurer, accepted the travel credit. Their insurer treated the acceptance of the travel credits as the insured recovering its losses from another source, thereby precluding the insured from claiming compensation through their insurance.

### **Key Takeaways**

As you can see, it is vitally important for you to be diligent when signing up to your travel insurance policy. We urge you to keep in mind and be aware of clauses, particularly the exclusion clauses, such as those outlined above. Getting caught out by an exclusion clause will likely preclude you from claiming on your insurance and lead to your hard earned that was spent on a well earned holiday being squandered.

If you are in doubt with regard to a travel insurance policy, we are happy to assist in both interpreting and advising on insurance policies, and in advising on your rights and options when making a claim. Please contact [John Gray](#) on 02 8235 1205 for further information.