Recent events have sparked interest in travel insurance. And they’ve also fired up scrutiny of the many ways coverage doesn’t cover you at all.

When the Boeing 737 MAX problems led some to want to change travel plans, it turns out travel insurance policies don’t cover fear of flying, but might cover costs of long delays.

When the government shutdown led to widespread trip cancellations and missed flights because of long TSA lines, most policies didn’t help then, either. Travel insurance doesn’t cover
airport security-screening delays, for example. Same for national park closures—travel insurance doesn’t cover loss of enjoyment.

The good news: When WOW Air shut down last week, some travelers did have insurance that provided coverage. But policies have to explicitly include coverage for financial default.

“If it’s not written, it’s not covered,” says Jenna Hummer, spokeswoman at Squaremouth, a travel insurance comparison service.

Lots of policies do effectively protect expensive trips and come to the aid of travelers in crisis. And as storms intensify and turmoil increases globally, travel insurance sales continue to grow. Squaremouth says travel insurance sales are up nearly 15% so far this year compared with the same period of 2018.

But travel insurers write a lot of gotchas in most policies, especially the inexpensive insurance sold through airlines and online travel agencies. Many travelers find the coverage they thought they had really doesn’t cover them at all, or the coverage is redundant as airlines will reimburse costs in some situations and credit cards offer some forms of travel insurance. You have to shop the particulars and make sure the policy works for you.

High-pressure pitches for travel insurance by airlines and online travel agencies have drawn more scrutiny. At every major U.S. airline except Southwest, every time you buy a ticket you are expected to click to confirm whether or not you want to “protect your trip.” If you say no, you’re declining, in Delta’s words on its website, “peace of mind.”

“The language is misleading, and you could drive a truck through the loopholes,” says John Breyault, vice president at the National Consumers League.
Some insurance experts agree. “Insurance shouldn’t be a gotcha moment for consumers who believe they have something when they don’t,” says Stan Sandberg, co-founder of TravelInsurance.com. “Single-option, check-the-box and take-it-or-leave-it is a terrible way to present a product that does have complexity to it. We think it has done a disservice to the industry and consumers.”

People who had travel insurance covering their WOW Air tickets after the discount carrier shut down could get their money back—if their policy explicitly included coverage for financial default. PHOTO: NICOLAS ECONOMOU/NURPHOTO/GETTY IMAGES
Some airlines declined to answer specific questions about their insurance offerings. Delta emailed a short statement saying, “Many customers appreciate the ability to purchase trip insurance because it provides peace of mind for a wide range of potential issues.”

Insurers say they disclose all information about the insurance when you click through to find the policy. “The intention of all parties is never to be misleading,” says Jeff Rutledge, chief executive of AIG Travel. “The key is that the information is there in its entirety and we want people to know and understand.”

Veteran traveler Chris Snyder last year for the first time decided to take American Airlines up on its offer to protect his trip in case he needed to cancel. He clicked the box to add $35 worth of travel insurance to a $200 ticket from Dallas-Fort Worth to Denver because there was a chance the trip might get canceled because of his sister’s illness. Indeed, she was later hospitalized and he had to scrap the trip.

When he went to collect, he faced lots of paperwork and detailed questions about his sister’s medical records and doctors. She needed to authorize release of her medical information. Frustrated, he didn’t bother trying to make a claim.

“I paid for protection in case I had to cancel, and then I did have to cancel. Who cares why it’s canceled?” he says. “I didn’t look at the policy. Shame on me.”

Allianz, which sold Mr. Snyder the policy on American’s website, says there are many benefits in its policies that travelers appreciate, including 24-hour assistance when things go wrong. The company didn’t respond to specific questions about situations like Mr. Snyder’s.

American says it sells advertising space on its website to Allianz and the airline doesn’t recommend the insurance product even though it says Recommended in bold letters. A spokesman says American believes that permitting Allianz to promote its product is a service to American’s customers.

Sen. Edward Markey (D., Mass.) last August issued a report on insurance sold by airline and online travel agencies questioning sales tactics and coverage value. Fifteen of 16 vendors studied don’t allow travelers to buy tickets online without either purchasing or declining recommended travel insurance. (Some airlines say only the first click to buy will be rejected if
you don’t make an insurance choice; the second attempt to buy without a yes or no on insurance will go through.)

The policies “are often riddled with exclusions and limitations that can render them useless,” the Markey report said. What’s offered “all too frequently leaves consumers stranded.”

Peter Volny, a retired advertising executive living outside Phoenix, regularly buys comprehensive travel insurance—more elaborate than airline-sponsored plans—for expensive international trips.

What he can’t understand is why travel insurance is so much more expensive than other kinds of insurance. He pays about $5 for every $1,000 of coverage for life and auto insurance. Homeowners insurance is less than $1 for $1,000 of coverage. The insurance for upcoming trips to Africa and Australia both cost more than $50 per $1,000 of travel insurance.

“It’s ludicrous,” Mr. Volny says. “It annoys the hell out of me.”

Insurance companies say travel insurance typically runs about 4% to 10% of a trip’s costs. Prices vary depending on the age of the traveler, what’s covered and how long before your trip you buy the policy. Longer time means more chance of an accident or illness that could force cancellation, though often the insurance requires buying within a certain time period of your first nonrefundable payment.

Allianz also notes that there are no deductibles in travel insurance—one reason premiums are higher than for other forms of insurance. AIG’s Mr. Rutledge says trip cancellations drive costs. The pool of people insured is much smaller for travel insurance, as it’s a voluntary purchase. The result is a higher percentage of customers who have claims than, say, for auto insurance.

Hurricanes and terrorism attacks do drive a lot of policy sales, travel insurers say. Still, benefits can be limited if your airline cancels flights and hotels are refunding reservations. It’s important to buy well in advance of your trip. Once a storm gets a name, you can’t buy a policy for that storm. And even if the storm is covered, travel insurance covers you only if your destination is under an evacuation order or your hotel has been declared uninhabitable.

For terrorism, most travel insurance policies pay if you cancel your trip only if an attack happens within 25 miles of a stop on your itinerary, and inside 30 days of your scheduled arrival.

**Insurance Questions—and Answers**

**Who needs travel insurance?**

Anyone who has nonrefundable expenses at stake that it might hurt to forfeit. If you’re going to hurricane-prone areas, it’s wise to insure your trip. The same goes if you’re traveling outside
your home health-care network. Medicare, for example, doesn’t cover travelers abroad. So it’s best to either have a supplemental or gap medical plan that covers travel, or buy travel insurance with medical and medical-evacuation coverage.

“There’s a lot of value to the product and it doesn’t have to be as complicated as it has been,” says Stan Sandberg, co-founder of TravelInsurance.com.

How to buy it?

* **Shop with a comparison site like InsureMyTrip, Squaremouth or TravelInsurance.com.** You can screen policies for features you do or don’t want, and easily check terms and coverage of various policies, plus ratings on the insurance companies.

The sites can also help advocate for claims if you end up in a dispute with the insurance company.

* **Consider specialized policies instead of comprehensive.** Some policies offer only medical and medical-evacuation coverage. Some are tailored for cruises. InsureMyTrip says policies will soon be available that just cover damages to rental homes. You can save money by purchasing only the coverage you need.

* **Read exclusions and “covered reasons” carefully.** They vary in different policies and different insurers. See what works for your situation.

* **Consider “Cancel for Any Reason.”** That’s been my recommendation. These policies, available from several companies, cost about 40% more, reimburse only 75% or less of the cost of a canceled trip and typically require cancellation at least 48 hours before departure. But they offer tons more flexibility and get you out of the exclusions and “covered reason” traps, making them likely far more effective than standard travel insurance.

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