



Diana Clement

Real Money

Diana Clement: Be cautious with credit card travel insurance

Activation and length of cover just two traps for the unwary traveller



Travellers need to check credit card travel insurance policies very carefully to avoid tears. Picture / Getty Images

The chill winds of winter appeared this week. As the cold weather closes in, it's human nature to start thinking about booking holidays.

I'm off on the trip of a lifetime mid-year and found myself wondering as I booked the flights whether my ASB credit card travel insurance would be satisfactory for our far-flung trip.

Ordinary travel insurance is full of fish-hooks (my last article on the subject can be seen here: <http://tinyurl.com/og8szl9>). Credit card travel insurance has even more nasty surprises.

An issue that ends in tears for some credit card holders is the question of "activation". Just because you have a gold (platinum or other) card with travel insurance attached doesn't mean it covers you automatically. Credit card holders need to "activate" their cover and it's not always straightforward.

Activation usually involves booking some or all of your prepaid travel using either just the credit card, or a combination of the card, loyalty points, and/or other accounts from the same bank.

There are some exceptions. For example, at ANZ if you win or are given a holiday you can still activate your insurance by phoning the call centre. This doesn't apply to business trips, which are covered only if 50 per cent of prepaid travel expenses have been put on your personal ANZ premium card.

The BNZ GlobalPlus credit card travel insurance's fine print regarding activation alone contains 1191 words - which is nearly as long as this article. Of all the policies I read, the BNZ's two had the most complex activation clauses.

In a case heard by the Insurance & Savings Ombudsman, an American Express platinum card holder had his claim declined because the policy required the entire cost of travel be charged to the card. Only part of the family's travel from Dubai to Auckland was charged to the Amex card, which meant no insurance cover when the airline lost its passengers' bags.

The Ombudsman also described the policy as being "onerous" for refusing to cover valuables such as mobile phones, furs and jewellery in checked-in baggage.

Financial Services Complaints (FSCL) chief executive Susan Taylor says travellers need to understand their policy wordings.

A common trap for credit card travel insurance is the limit of 35 or 40 days on most policies.

"If a consumer's travel is more than 35 or 40 days they have no cover at all. Even if something happens on day two of the trip, the consumer will not be covered," says Taylor.

In a case heard by FSCL a credit card holder lost \$30,000 in travel expenses after breaking his leg, which prevented him from travelling. The policy restricted travel to 35 days and "Mr J's" trip was for 38 days, meaning he wasn't covered for the entire duration of the trip.

Mr J argued the difference between 35 and 38 days was a "minor discrepancy", but in law it did not matter whether the limit was exceeded by three hours or three days. "This case note illustrates the detrimental effect of not complying with a policy's activation requirements," the



case officer wrote at the time.

Another thing to be aware of is that credit card travel insurance policies aren't a carbon copy of each other. They are underwritten by different insurers. BNZ's policy is underwritten by Cigna Life, Westpac and ANZ's are with AIG Insurance, Kiwibank and ASB with Tower Insurance and American Express with ACE Insurance. The wordings differ hugely.

When I booked my holiday I initially made the (wrong) assumption that the ASB policy had 35 days maximum cover. It turned out it's 90 days. All of the others I looked at were 35 to 40 days except for ANZ, which offered 40 days to gold card holders and 90 days for platinum.

Regular travel insurers that want to sell policies are quite willing to put the knife into the credit card policies. Some of their objections are quite valid. People can and do come home to find that they had no cover because the policy wasn't activated, says Craig Morrison, Southern Cross Travel Insurance chief executive.

Morrison also argues that credit card holders probably got their insurance policy at the beginning of the year and are less likely to read it than someone who receives a policy once they've booked a holiday.

All of the banks' credit card policies are online, however. I found them with ease. It's also possible to call the banks' helpline and request a copy of the policy to be posted out. They can be picked up from banks' branches as well. Amex was the only policy that wasn't easy to get a hold of.

1Cover says people using credit card insurance need to check if they're covered for pre-existing conditions (although this can be said of all travel insurance policies), and that the excess may be higher. I did notice that 1Cover has a list of pre-existing conditions that are covered such as hiatus hernia and migraine.

Some of the credit card policies I read such as Westpac's allow you to pay extra to cover illnesses that you already have or have been treated for.

Once you're over the hurdle of activating the credit card travel insurance, it's horses for courses when it comes to choosing a policy. Whether it's credit card insurance or regular travel insurance, the cover will be sufficient for most people.

My ASB credit card policy has adequate cover for our trip - including unlimited medical cover and \$20,000 cover of luggage, money and replacement travel documents.

There is also cover for all manner of things such as travel delay, missed connections, kidnap and ransom and personal liability, all of which I would like to avoid using.

The Amex insurance covers domestic travel, which none of the others I looked at did. On the other hand it didn't mention rental vehicle excess cover, which is essential if you plan to hire a car overseas.

It can never be said often enough. Read your policy. The smallest of exclusions can lead to thousands of dollars of losses. When I read my policy I found that some of the ASB policy's exclusions are better and some are worse than its competitors - including direct insurers.

The good news is that most of the cover and exclusions are fairly straightforward. There are, however, exclusions that you need to know about.

While studying the ASB's fine print I came across exclusions for "professional sport" and "competitive sport". Excluding professional sport makes sense.

But how on earth do you define "competitive sport" when it comes to amateurs, I wondered? If I pay a sum of money to enter a 5km fun run in Buenos Aires, I trip and break my leg, is my insurance useless because I've entered an event where I can win a token prize?

Ordinary high street travel insurance policies often have the same exclusion.

But it's an interesting issue. The Insurance & Savings Ombudsman heard a case in 2010 in which a policyholder was hospitalised as a result of a mountain bike accident before leaving New Zealand and had his claim declined. He did eventually receive a part settlement. His policy excluded "racing" and the insurer pointed to the fact, to justify declining the claim, that the policyholder had paid an entry fee to enter what he described as a "fun" event.

ASB's underwriter Tower gave me an answer to my questions about "competitive sport" this week.

If I was competing for more than recreational purposes or in a professional league I would not be covered. Entering a one-off soccer or volleyball game, for example, would be okay providing the game was not the intent of the overseas trip and it was not part of a professional league.

It's worth noting that some credit card travel insurance policies allow you to work overseas and others don't. ASB's policy specifically covers leisure and business travel, whereas Kiwibank excludes volunteer and paid work except where you are attending a "conference, trade fair, business training course or business meeting".

- NZ Herald