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It is important to understand the differences between cancellations made by the traveller (self-cancellation) and those caused by airlines, as well as what is covered and what is not.

Travel insurance has become essential to planning any trip, especially in today's unpredictable environment. Whether travelling for leisure, business, or personal reasons, unforeseen circumstances such as personal emergencies or airline cancellations can disrupt travel plans.

In such cases, having travel insurance can save travellers from financial losses. However, not all cancellations are treated equally under travel insurance policies. It is important to understand the differences between cancellations made by the traveller (self-cancellation) and those caused by airlines, as well as what is covered and what is not.

Travel insurance coverage for self-cancellation

Self-cancellation occurs when the traveller decides to cancel their trip voluntarily. This could be due to personal reasons, health issues, family emergencies, or other circumstances that prevent the individual from proceeding with their travel plans. While travel insurance offers some protection in case of self-cancellation, it is important to understand the specific conditions under which these claims are accepted.

What is covered under self-cancellation?

Medical emergencies: Travel insurance policies often cover trip cancellations due to medical emergencies. The insurance company may reimburse non-refundable travel costs if the policyholder, a travelling companion, or an immediate family member falls seriously ill, falls injured, or dies. To substantiate the claim, it is important to have medical proof, such as a doctor's note or medical report.

Family emergencies: In the event of a close family member's death or serious illness, travel insurance may cover the cost of cancelling. Typically, a close family member is defined as a spouse, parents, children, siblings, and grandparents. Each insurance policy may have specific conditions regarding who qualifies as a close family member, so it's important to read the policy carefully.

Unforeseen personal circumstances: Certain unforeseen personal events, such as a sudden loss of employment or mandatory jury duty, may also be covered under self-cancellation. However, the specific terms and conditions may vary from one insurer to another.

Natural disasters or political unrest: If a natural disaster or political unrest occurs at the destination or origin, making travel unsafe, some insurance policies offer coverage for self-cancellation. This ensures the traveller is not forced to go to a potentially dangerous area.

Financial troubles or job-related issues: Cancellations due to financial difficulties, such as being unable to afford the trip or facing minor work-related issues, are generally not covered. Only specific job-related issues, such as an unexpected layoff, may qualify for coverage.

Travel insurance coverage for airline cancellation Airline cancellations occur when the airline cancels the flight due to operational reasons, weather conditions, or other unforeseen circumstances, including bankruptcy or financial default of the airline, terrorism, etc. In such cases, travellers may be entitled to compensation or refunds directly from the airline. However, travel insurance can provide additional protection for costs that the airline may not fully cover.

Know what your policy will pay for

Flight cancellations due to operational reasons: If the airline cancels a flight due to operational issues such as mechanical failures, staffing problems, or logistical challenges, the insurance policy may compensate for financial losses in case of complete trip cancellation. This includes the cost of pre-booked accommodation and non-refundable flight charges, pre-booked events, tours, excursions and activities. Airlines are responsible for providing immediate assistance and airline refund, but travel insurance can cover all non-refundable amount mentioned here for which the airline does not compensate.

Cancellations due to weather conditions: Travel insurance can also help in cases where flights are cancelled or delayed due to severe weather conditions, such as heavy storms, or cyclones, at the place of origin or destination. If the airline fails to provide alternate arrangements, the insurance may cover costs such as cancellation.

Received airline compensation? Insurance claim not admissible

Compensation directly covered by airlines: In many cases, airlines must legally compensate passengers for flight cancellations. If the airline provides total compensation, the travel insurance policy may not cover additional costs, as the traveller has already been compensated.

Cancellations due to known events. The insurance company may deny the claim if the airline cancels flights due to known events such as strikes or political unrest and the traveller purchases travel insurance after the event is publicly announced. Travel insurance generally does not cover cancellations related to events already known before the policy purchase.

Travel insurance provides a valuable safety net for travellers, covering various risks related to trip cancellations. Whether the traveller cancels a trip due to personal reasons or by the airline for operational or weather-related reasons, travel insurance helps manage non-refundable costs. However, travellers must carefully review their policies to understand what is covered and what is not.

While self-cancellation coverage includes protections for medical emergencies, family crises, and unforeseen events, it does not extend to personal choice or changes of mind. On the other hand, airline cancellations may be covered for additional costs beyond what the airline compensates, but not in cases where full refunds are already provided. Understanding these distinctions ensures that travellers in India make informed decisions about their travel insurance, gaining peace of mind and financial protection.

(The author is the Head of Health and Travel SBU at Bajaj Allianz General Insurance).