

# No Go

BY JULIE ANNE FRIEND

## Trip Cancellation and Interruption Insurance: Coverage You Need Now?

**C**anceling a study abroad program, pre- or post-departure, is one of the most difficult administrative decisions an education abroad director can make. This is especially true if the cancellation is due to reasons of health or safety because such decisions are often subjective. For every person that will congratulate you for making a prudent choice, there will be an equal number criticizing you for being too cautious. Certainly, it helps to be prepared in advance for such circumstances by having clear cancellation, withdrawal, and refund policies as well as alternatives for the affected students. These could include, for example, a list of comparable program options, administrative support for a switch to on-campus classes/housing, or the arrangement of an independent study program equivalent to the students' required credits. Such options are plentiful when the program's start date is months or even weeks away, but they become more limited if the departure date is imminent or the program is already underway.

### Midstream Cancellations

As we all know, canceling a program in the middle of a term or semester is rife with problems. Not only does the education abroad staff on campus and abroad have to deal with the logistics of finding the student safe passage home and managing the cancellation's public relations impact, but the task of sorting out a student's academic options can be overwhelming, particularly if the time period to add classes on the home campus has already elapsed.

The best-case scenario is that the host institution is able to offer students a way to complete the credits remotely. However, this may only work for certain types of courses. Suggesting that students duplicate the chemistry lab in their basement, even if supervised by Skype, is a different kind of disaster waiting to happen! Another possible option is if there is faculty with close ties to the program that may be willing to work with the student(s) to complete the course work. Be



prepared to offer the faculty member(s) compensation for their efforts if there are large numbers of students involved.

The worst-case scenario is that the student is unable to complete the credits under any circumstance. In better financial times,

more institutions would likely be prepared for such contingencies, having set aside a special fund from which the institution could draw to provide full or prorated refunds of tuition and fees. However, in these uncertain economic times, institutions with surplus

## Travel Notice Definitions

The Center for Disease Control and Prevention (CDC) issues different types of notices for international travelers. As of May 20, 2004, these definitions have been refined to make the announcements more easily understood by travelers, health-care providers, and the general public. The definitions are laid out below. They describe both levels of risk for the traveler and recommended preventive measures to take at each level of risk.

| Type of Notice/ Level of Concern | Scope*   | Risk for Travelers†   | Preventive Measures  | Example of Notice   | Example of Recommended Measures  |
|----------------------------------|--|---|--|---|--|
| In the News                      | Reports of sporadic cases  | No increased risk over baseline for travelers observing standard recommendations                              | Keeping travelers informed and reinforcing standard prevention recommendations               | Report of cases of dengue in Mexico, 2001   | Reinforced standard recommendations for protection against insect bites  |
| Outbreak Notice                  | <b>Outbreak in limited geographic area or setting</b>                                  | Increased but definable and limited to specific settings  | Reminders about standard and enhanced recommendations for the region                         | Outbreak of yellow fever in a state in Brazil in 2003   | Reinforced enhanced recommendations, such as vaccination   |
| Travel Health Precaution         | Outbreak of greater scope affecting a larger geographic area                           | Increased in some settings, along with risk for spread to other areas   | Specific precautions to reduce risk during the stay, and what to do before and after travel‡ | Outbreak of avian influenza among poultry and humans in several countries in Southeast Asia in early 2004 | Recommended specific precautions including avoiding areas with live poultry, such as live animal markets and poultry farms; ensuring poultry and eggs are thoroughly cooked; monitoring health |
| Travel Health Warning            | Evidence that outbreak is expanding outside the area or populations initially affected | Increased because of evidence of transmission outside defined settings and/or inadequate containment measures | In addition to the specific precautions cited above, <b>postpone nonessential travel‡</b>    | SARS outbreak in Asia in 2003   | Recommended travelers to postpone nonessential travel because of level of risk   |

\*The term "scope" incorporates the size, magnitude, and rapidity of spread of an outbreak.

†Risk for travelers is dependent on patterns of transmission, as well as severity of illness.

‡Preventive measures other than the standard advice for the region may be recommended depending on the circumstances (e.g., travelers may be requested to monitor their health for a certain period after their return, or arriving passengers may be screened at ports of entry).

**Credit:** Centers for Disease Control and Prevention, available online at <http://wwwnc.cdc.gov/travel/notices.htm>.

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funds have likely seen them dwindle in recent years, and any remaining reserves may be insufficient to cover anticipated needs.

If such funds are available, their distribution will certainly soften the financial blow, but this does nothing to address the concerns of students on a tight graduation timeline. Creative academic assistance may permit students to add a summer session or an independent study and still graduate on schedule. Other students may have to accept graduating later than planned. Of course, the absolute worst-case scenario is when the institution is unable to offer any reparations for the program closure resulting in a “perfect storm” outcome: loss of the experience, loss of time, and loss of money.

## Trip Cancellation Coverage

Fortunately, a relatively new insurance product has been developed to mitigate one of the financial risks of study abroad programs: trip cancellation insurance coverage. A growing number of higher education insurance carriers are offering plans that cover cancellation and/or interruption of study abroad programs. This type of coverage is relatively new, so working with an experienced broker consultant to find the right plan (at the right price) for your students and your institution is important.

As with other types of insurance coverage, a thorough submission of information on your programs’ locations, activities, costs, enrollment, supervision, history of cancellations, and travel policies, increases your chances of obtaining an appropriate level of coverage at an acceptable price point.

## How It Works

A handful of companies offer different types of plans that you can customize to a certain extent. For example, a group “trip cancellation” plan covers program cancellations when stated events occur prior to departure. A group “trip interruption” plan covers program cancellations that occur when the program is already underway. Common covered events include terrorist incidents occurring in your program location within a certain number of days prior to departure; the cessation of commercial air traffic to your destination (for a period of time near your scheduled arrival); a natural disaster that renders your destination accommodations or other regular facilities unusable; and the issuance of a new U.S. Department of State (U.S. DOS) Travel Warning.

Bear in mind that Travel Warnings are the highest level of government alert regarding international travel. They note long-term, systemic, and dangerous conditions tied to political, social, economic, or environmental conditions, and where the government’s ability to assist travelers may be severely limited due to internal or external travel restrictions. Although the U.S. DOS issues other types of travel bulletins such as Messages for U.S. Citizens, Emergency Messages for U.S. Citizens, and Travel Alerts, trip cancellation or interruption policies do not generally cover these classifications.

Less common events that can be covered include acts of civil unrest within a certain radius of the program’s destination city or the issuance of a Centers for Disease Control and Prevention (CDC) Travel Health Warning. Coverage is not likely available when the CDC issues other types of health travel notices, such as In The News, Outbreak Notice, and Travel Health Precaution.

Furthermore, the growing presence of education abroad programs operating in countries with existing Travel Warnings (typically under some type of review and approval process) has caused some carriers to develop unique types of coverage. For example, it is possible to obtain a rider to cover pre- and post-departure cancellations of programs already approved to operate in a country with a Travel Warning but where a change of condition has caused the institution to consider the location too risky. However, the rider can be very specific, requiring that the triggered event or circumstances have occurred within a certain radius of the destination city and with confirmation from the carrier’s security information assistance service that travel is no longer advisable.

Some carriers may bundle both the “trip cancellation” and “trip interruption” types of coverage together, but it may be worth covering them separately, perhaps even for different amounts if you have a lot of control over the costs of the programs that could be cancelled. For example, if you operate primarily faculty-led programs, you will likely be required to refund the tuition before the program starts (the same as if a class on campus that did not reach its target enrollment were cancelled). If you cancel early enough, you may not have even billed the students for the tuition yet, so why buy insurance to cover it? Perhaps in such cases you only want to insure airfare, activity/excursion fees, or housing costs—expenditures that you are unlikely to recoup even if you cancelled several weeks prior to departure.

Other types of cancellation coverage can apply to the individual traveler. Sometimes a significant life event—such as the death of a parent or a serious personal illness—forces a student to withdraw from a program at the last minute, risking loss of any prepaid tuition and fees (especially if to a third party). Individual cancellation policies are often designed to cover a wide variety of personal circumstances that may occur prior to departure or while the program is underway.

Also, keep in mind that a policy can be purchased by the institution on behalf of all enrolled participants, or offered directly to the individual traveler. In the latter case, the carrier will likely charge a one-time fee for customizing a portal that can be linked to your institution's website.

## One University's Journey

Mark Hayes, associate director, American University (AU) Abroad in Washington, D.C., has been negotiating cancellation coverage for his institution since early 2012. Hayes stated that while the timing of evacuations from Egypt and Japan in 2011 minimized students' financial losses, the experience caused AU to think about other

scenarios where the potential for significant loss would be much higher. "Being that we are a private institution, we recognized that just the loss of tuition alone could be substantial for students," he said. "We were particularly worried about students on financial aid, because depending on the timing of the cancellation they would be expected to return [the money]." This concern relates to a fairly standard institutional practice associated with the distribution of federal funds for academic programs or experiences that are subsequently cancelled.

Hayes also offered tips for getting started. "First," he said, "Work with your risk manager." He continued by explaining that while a study abroad staff member is likely the expert on enrollment data, cancellation history, and programmatic risk tolerance, a risk manager can direct the negotiation process, and in the final stages, review potential contracts to make sure they meet all institutional requirements.

Initially, while preparing all the data requested by potential carriers to be able to receive an accurate quote, AU sought out the broadest coverage possible. But in order to keep premiums as low as possible, they began to settle on a plan covering only post-de-

parture cancellations. The proposed policy also includes a coinsurance feature of 50 percent so that coverage "caps out" at half of a semester's tuition. AU requested this feature because the institution concluded that its main risk was in the first two-thirds of a trip; the closer a cancellation occurs to the program's end date the less coverage they would need.

"It has been a long, drawn out process," Hayes admitted. Given this type of coverage is new to the field, Hayes had to spend a lot of time educating the carrier about their program operations and, in particular, that these types of cancellations are relatively rare given AU's tolerance for risk. He also stated that they had to read each new quote very carefully, because the documents were not very thoroughly edited when the terms, particularly exclusions, were changed. "So," he added, "It's critical to conduct a detailed policy review of each new version."

At press, American University is still negotiating with the carrier, but the institution is hoping to settle on a policy that provides the desired coverage at a cost between \$100.00 and \$130.00 per student,

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per semester. Given potential losses for mid-semester cancellations could be in the tens of thousand dollars, Hayes felt all parties could reach an acceptable position.

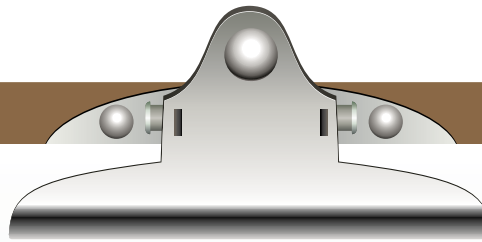
## Show Me the Money

With regard to claims payments, some policies pay claims directly to the student while others pay claims to the institution. In some cases, policies can be tailored to have claims proceeds directed to the institution for distribution to the student. The benefit of this is that students receiving federal aid who will be expected to return the money will have funds in their student accounts more quickly than if they had to wait to receive a check from the carrier.

## The Fine Print

While some institutions offer tuition insurance to their students, it is unlikely to cover tuition paid to third parties, such as providers or host institutions. Before signing a cancellation coverage contract, have your risk manager review other possible competing coverage. Make sure that the limitations of such policies are noted in your coverage description.

Also, be clear in your understanding of when a benefit is conferred. Know whether or not the cancellation benefit has to be approved by the carrier or if it is automatic when the covered events occur (such as the issuance of a U.S. Department of State Travel Warning) and the institution itself chooses to cancel.



## Checklist for Best Practice in Seeking Cancellation Coverage

- Experienced broker consultant
- Collaboration with risk management
- Program data
  - ✓ Countries of operation
  - ✓ Programs in countries with Travel Warnings (if applicable)
  - ✓ Number and type of programs (faculty-led, direct-enroll, provider, etc.)
  - ✓ Number and type of programs by length (short-term summer, winter or spring break, semester, academic year)
  - ✓ Enrollment by length, type, and location
- History of program cancellations
- Average tuition per program (by length, type, or location)
- Average fees per program (by length, type, or location)
- Acceptable premium price range
- Preferred coverage
  - ✓ Trip interruption
  - ✓ Trip cancellation
  - ✓ Individual interruption or cancellation
  - ✓ Claims payment to institution or individual
- Preferred billing cycle
- Customized brochure or website

## The Right Tool?

Despite the economic downturn of the last few years, the field of education abroad continues to grow and professionalize. Each academic year seems to start with announcements of new program types and locations. Increasingly, a greater number of programs now take place in developing countries where the risks of terrorism and civic unrest appear to be higher. At the same time, tuition and other costs related to education abroad continue to rise. As a result, education abroad offices have become increasingly complex work environments, requiring additional attention on the implicit financial risks. Program cancellation coverage may be the right tool for your institution to manage this risk and help your institution achieve its education abroad goals.

**JULIE ANNE FRIEND** is a licensed attorney and associate director for international safety and security at Northwestern University. Her last article for *IE* was "Learning from Recent Challenges in Education Abroad Crisis Management," which was published in the January/February 2012 issue.

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