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War forces rethink on travel insurance cover and limits

Underwriters, Policyholders Weigh Effectiveness Of Plans

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Mumbai: The conflict in West Asia is prompting both underwriters and policyholders to reassess the efficacy of travel insurance in addressing geopolitical risks, one of the more persistent uncertainties in recent years.

Early signals are visible in claims behaviour. "We have received travel inconvenience claims i.e. flight cancellation, trip cancellation/ interruption, accommodation extension etc. We have already paid quite a few claims and are actively engaging with our customers for processing of the remaining eligible claims," said Chandrakant Said, vice-president, consumer underwriting, Tata AIG. Such claims, linked to disruption rather than physical damage, show how indirect effects of conflict tend to surface first on insurers' books.

For now, the direct financial impact remains limited.

COS SEE DROP IN PREMIUM COLLECTION

> The West Asia crisis is exposing a gap between customer expectations and policy design

> Most travel policies today exclude risks associated with war at a time when geopolitical threats are the biggest uncertainty for flyers

> Tata AIG has largely received travel inconvenience claims



that is flight cancellation, trip cancellation/ interruption, accommodation extension etc this month

> Bajaj General Insurance has received 2,500 cancellation requests, resulting in refunds of Rs 1 crore, as travellers defer or abandon plans

> The immediate effect is a drop in premiums linked to affected geographies

"The Iran conflict highlights the long-term need for sharper assessment of geopolitical risks by insurers. In the immediate term, however, we are not seeing much travel activity in affected regions, so the direct impact on claims and demand remains limited," said Anup Rau, MD & CEO, Generali Central Insurance. Lower travel volumes have helped contain both claims and fresh policy issuance.

The episode is also exposing

a gap between customer expectations and policy design. "Travellers should also recognise that most standard travel and health insurance policies worldwide exclude losses arising directly from acts of war or military conflict, making it essential to carefully review policy terms to understand what is and isn't covered," said Rau. What was once seen as a remote risk is now becoming a contractual constraint for many buyers.

Insurers are responding by tightening underwriting filters. According to Amarnath Saxena, chief technical officer, Bajaj General Insurance, even before the crisis in Iran began, certain countries such as Iran, Yemen, Syria, Iraq, and Afghanistan have historically seen exclusion from insurance coverage due to long-standing security considerations.

For other countries in the region, including the United Arab Emirates, Saudi Arabia, Jordan, Oman, Bahrain, Israel, Lebanon, Qatar, and Kuwait, policies had been issued earlier under standard underwriting norms. However, with the situation evolving and travel advisories changing, new policy issuance for these destinations has been paused, while many travellers who had already booked trips are opting to cancel their policies.

Even so, the boundary between covered and excluded risks remains nuanced.