UNIT - III

Travel Insurance

- Travel insurance is protection against loss or damage to the traveler for unplanned emergencies while travelling, or in conjunction with forced cancellation of travel arrangements.
- It is an insurance product for covering unforeseen losses incurred while travelling, either internationally or domestically.

- Covers medical expenses, financial (such as money invested in non-refundable pre-payments), and other losses
- Can be booked at the time of travel
- To enter some countries it is mandatory
- Can be bought either from the travel insurance companies or from Tour operators
- Coverage for a variety of travels

Need & Coverage

- Medical expenses
- Visa and documentation formalities
- Overseas funeral expenses
- Accidental death, injury or disablement benefit
- Cancellation
- Curtailment

Cont'd…

- Delayed departure
- Loss, theft or damage to personal possessions and money (including travel documents)
- Delayed baggage
- Legal assistance

Benefits for the Traveler

- Travel insurance protects the traveler's financial investment in the purchase of transportation, accommodation and entertainment.
- Travel insurance pays for potential misfortunes that the traveler might have before and while travelling.
- It pays for unplanned medical costs, for replacement of lost or damaged baggage or for new reservations due to involuntary cancellation or because travel suppliers go out-of-business.
- In addition to offering financial protection, travel insurance also provides extra services
- Failure of service providers (bankruptcies)

- Travelers who invest in travel insurance are protecting themselves against risks such as:
- Accidents, before or during a journey
- Trip interruptions due to cancelled services
- Political or civil instability
- Theft of luggage and personal effects
- Health or loss of life

Service Providers

- Travelex
- Travel Guard
- American International Group
- International Medical Group

Foreign Exchange

- Is a mechanism by which the currency of one country gets converted into the currency of another country.

- "Involves ways and methods by which the right to wealth in the currency of one country gets converted into the right to wealth in the currency of another country"

-Evitt (Economist)

Continued…

- Bills of Exchange, Drafts, Cheques and Telegraphic orders are the principal means of payment in International transactions.
- The ROE is determined by the relative supply and demand of the currencies in the foreign exchange market.

Local Currency

- **Local currency** is a currency that can be spent in a particular geographical locality at participating organisations.
- A local currency acts as a complementary currency to a national currency, rather than replacing it and aims to encourage spending within a local community, especially with locally owned businesses.
- Indian currency – Indian Rupee (INR)

Third- Country Currency

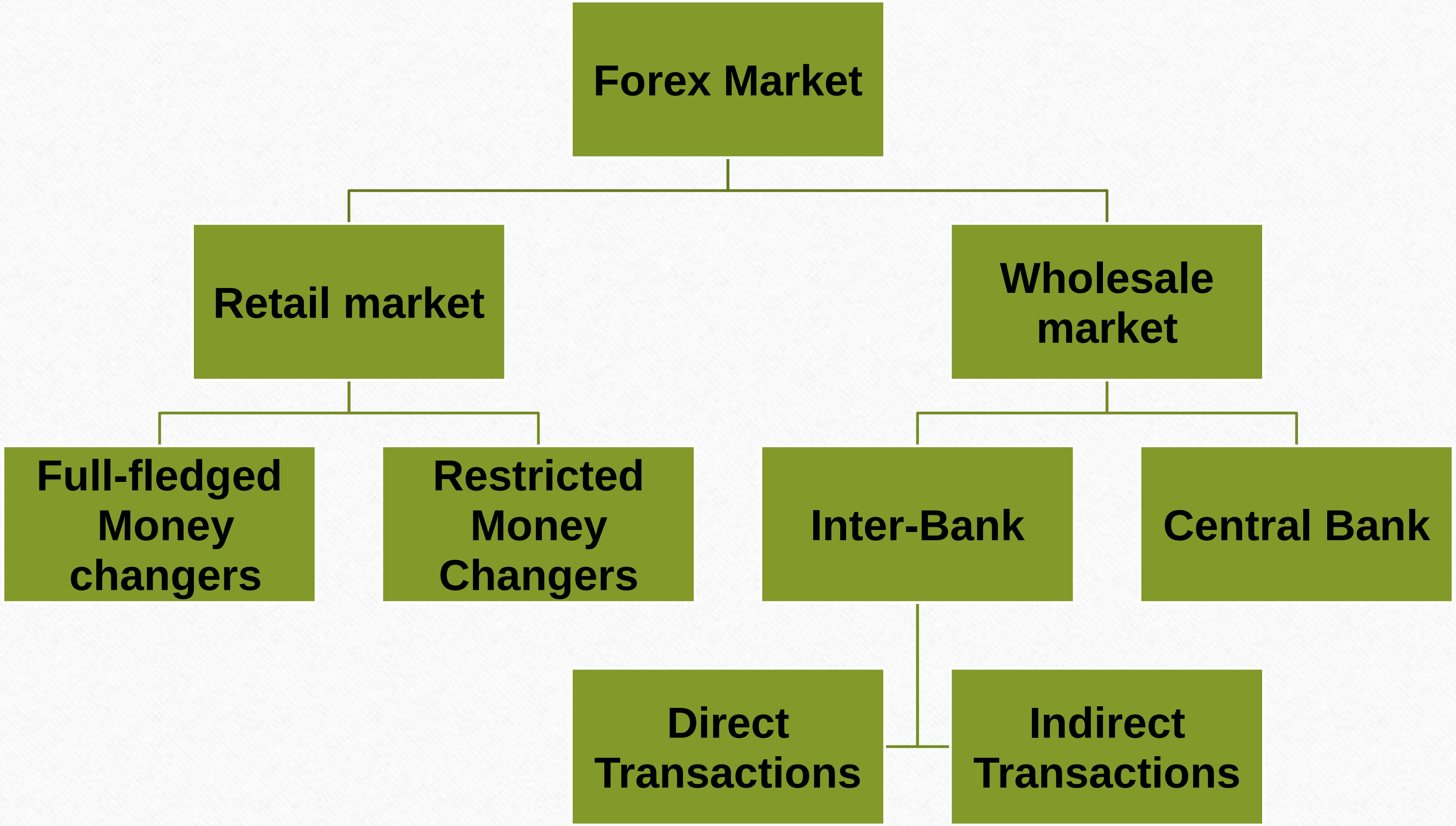
- Third country refers to some country beyond the two for which the bilateral exchange rate refers.
- Different exchange rates may be affected by different third countries, or possibly by more than one such third country.

Universal Currency

- A currency that is meant to be accepted everywhere.
- It would be the result of agreements among the different governments of the world to use one system of money.
- It is one that is accepted for trade throughout the world.
- Some of the world's currencies are accepted for most international transactions. The most popular are the U.S. dollar, Euro.

The Foreign Exchange Management Act, 1999

Foreign Exchange market


Forex Market
Retail market
Wholesale market
Full-fledged Money changers
Restricted Money Changers
Inter-Bank
Central Bank
Direct Transactions
Indirect Transactions

The Foreign Exchange Transactions

- Foreign Exchange Transactions
  - Direct & Indirect
    - Spot transactions
    - Forward Transactions
    - Derivatives

Foreign Exchange Regulation Act (**FERA)**

- The Foreign Exchange Regulation Act (**FERA**) was legislation passed in India in 1973 that imposed strict regulations on certain kinds of payments, the dealings in foreign exchange (forex) and securities and the transactions which had an indirect impact on the foreign exchange and the import and export of currency.

The Foreign Exchange Management Act, 1999 (FEMA)

- The Parliament has enacted the Foreign Exchange Management Act (FEMA), 1999
- To replace the Foreign Exchange Regulation Act (FERA), 1973
- Came into force on 1st June, 2000
- To investigate provisions of the Act, the Central Govt. has established the Directorate of enforcement with Directors and other officers as officers of the enforcement.

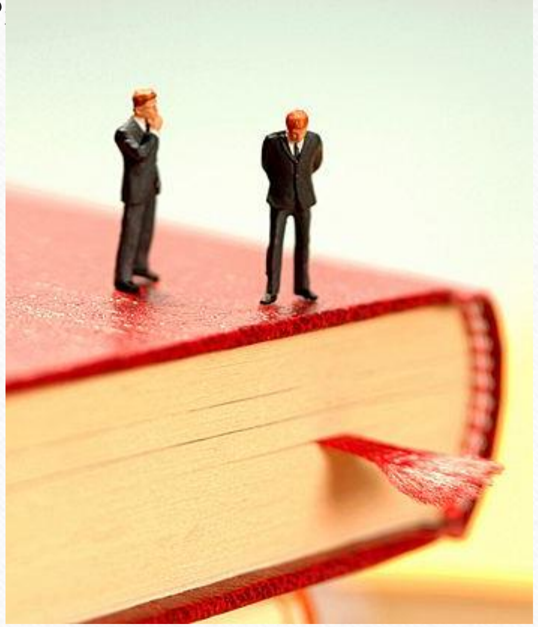
To Whom is the Act Applicable???

The FEMA, is applicable-

- To the whole of India.
- Any Branch, office and agency, which is situated outside India, but is owned or controlled by a person resident in India.
- Any contravention of provisions of FEMA, by all those, who are covered under above two aspects committed outside India.

Categories & Status of Different Persons

FEMA, covers, three different types of categories, and deals differently with them.



The categories are:

A) Person
B) Person Resident in India
C) Person Resident outside India

Important Provisions From FEMA

1. Refund of inward remittances
2. Application for remittances in foreign currency
3. Mode of payment of rupees against sale of foreign exchange
4. Travelers cheque negotiable only in India
5. Reimbursement outside India

Continued…

6. Import of foreign currency notes
7. Reconversion of Indian currency
8. Rates of exchange

Travellers Cheque

- A **traveller's cheque** is a medium of exchange that can be used in place of hard currency.
- They can be denominated in one of a number of major world currencies and are preprinted, fixed-amount cheques designed to allow the person signing it to make an unconditional payment to someone else as a result of having paid the issuer for that privilege.
- They are generally used by people on vacation in foreign countries instead of cash, as many businesses used to accept traveller's cheques as currency.

International Currency Cards

- A Forex card is a card which is one of the most effective ways to carry money when visiting another country.
- A Forex card carries foreign currency and is accepted almost everywhere.
- It is a type of prepaid credit card where you can deposit funds in foreign currency of your choice depending on the country you are visiting.
- Apart from using the forex card for transactions, you can also withdraw money from an ATM using the card. You will not require to carry your money in the wallet in cash as long as you have this card.

- Thomas Cook One currency card
- American Express currency card
- Visa Travel Money