



**TRAVEL HEALTH INSURANCE PRODUCTS
Position Paper**

**A document prepared by the
Canadian Council of Insurance Regulators (CCIR)
Travel Insurance Working Group**

This document reflects the work of regulators who are members of CCIR and is intended to generate discussion. The views expressed should not be considered as legal opinions.

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MAY 2017

Contents

EXECUTIVE SUMMARY.....	3
1. INTRODUCTION.....	4
1.1. CANADIAN COUNCIL OF INSURANCE REGULATORS.....	4
1.2. TRAVEL INSURANCE WORKING GROUP	4
1.3. THE PURPOSE OF THIS POSITION PAPER.....	5
2. RESULTS OF CONSULTATION AND RECOMMENDATIONS	6
2.1. PRODUCT DESIGN.....	6
2.1.1. COMPLEXITY OF TRAVEL HEALTH INSURANCE PRODUCTS.....	6
2.1.2. TERMINOLOGY AND DEFINITIONS	7
2.1.3. UNDERWRITING OF TRAVEL INSURANCE PRODUCTS	8
2.2. PRODUCT MARKETING AND SALES	10
2.2.1. DISCLOSURE OBLIGATIONS AND SALES	10
2.2.1.1. THI DOCUMENTS	10
2.2.1.2. TIMELY DISCLOSURE	11
2.2.2. DISTRIBUTION CHANNELS.....	12
2.3. INVOLVEMENT OF THIRD-PARTY SERVICE PROVIDERS/PROGRAM ADMINISTRATORS	13
2.4. CLAIMS MANAGEMENT.....	14
2.5. COMPLAINTS	16
2.6. EDUCATION	17
2.7. DATA COLLECTION.....	18
3. CONCLUSION	19
4. NEXT STEPS	19

Executive Summary

This Position Paper sets out the recommendations put forth by the Canadian Council of Insurance Regulators (“CCIR”) in respect to the issues identified in its May 2016 Issues Paper regarding the Canadian Travel Health Insurance marketplace.

The purpose of this Position Paper is to respond to stakeholders on what the CCIR has learned from the consultation and to set out the CCIR’s expectations for improvement of travel insurance to CCIR members, insurers, intermediaries and the public regarding the issues that were identified.

Overall, Canada does have a strong and reliable travel insurance market. However, from the comprehensive review that was undertaken to better understand the issues and concerns raised, it is the CCIR’s conclusion that there are opportunities for improvements to be made within the travel insurance marketplace, especially in the fair treatment of consumers.

It is also observed that key stakeholders in the industry are taking a proactive approach to improve the consumer experience in order to ensure confidence in the product is improved. The industry has collectively come together to propose possible solutions to improve individual and group travel insurance in the Canadian marketplace. The CCIR acknowledges the engagement of the industry in this regard and will continue to work with these stakeholders in light of the issues raised.

1. INTRODUCTION

1.1. CANADIAN COUNCIL OF INSURANCE REGULATORS

The CCIR is an inter-jurisdictional association of provincial, territorial and federal insurance regulators. The provincial and territorial regulators are responsible for market conduct regulation and legislative compliance of insurers authorized in their province or territory. They may also have responsibility for the solvency of insurers incorporated in their jurisdictions.

The CCIR has developed a framework for cooperative market conduct supervision among its members. CCIR members have made a commitment to observing, where reasonable, the Insurance Core Principles (“ICPs”) of the International Association of Insurance Supervisors (“IAIS”). Of particular importance are ICP 18 and 19 which address the supervision of conduct of business or market conduct and intermediaries:

- ICP 18 Intermediaries – the supervisor sets and enforces requirements for the conduct of insurance intermediaries, to ensure that they conduct business in a professional and transparent manner.
- ICP 19 Conduct of Business – the supervisor sets requirements for the conduct of the business of insurance to ensure customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.¹

One of the main goals of the CCIR is to facilitate harmonization of insurance regulation across Canada to benefit both consumers and the insurance industry. Working towards a harmonized approach promotes efficiencies and cost savings while providing consistent protection to consumers across Canada. It is recognized that individual jurisdictions may need to accommodate any local or regional issues in implementation.

1.2. TRAVEL INSURANCE WORKING GROUP

In response to growing concerns over public confidence in the market and the manner in which travel health insurance (“THI”) is manufactured and distributed, the CCIR formed a working group on THI at its fall 2014 meeting (the “Working Group”).

The Working Group is composed of representatives from the CCIR and from the Canadian Insurance Services Regulatory Organizations² (“CISRO”). The Working Group’s mandate is to:

- Improve consumer’s confidence in the THI market;
- Promote harmonization in regulatory approaches to THI in Canada;

¹ Insurance Core Principles (ICPs) 18 and 19 “Intermediaries” and “Conduct of Business”, International Association of Insurance Supervisors, <http://iaisweb.org/page/supervisory-material/insurance-core-principles//file/58067/insurance-core-principlesupdated-november-2015>.

² The Canadian Insurance Services Regulatory Organizations is a national association of insurance intermediary (agents, brokers, adjusters) regulating authorities. Its objectives include creating a common voice to deal with issues that may be of interest to other financial services regulators, consumers and intermediaries.

- Identify practices that are causing harm, or have the potential to cause harm to the public; and
- Develop recommendations to address them in order to prevent loss of consumer confidence.

In achieving this mandate, the Working Group was also asked to consult with industry stakeholders where possible.

The work of the Working Group is in alignment with the CCIR's strategic priorities of identifying common emerging issues (fact gathering), and engaging stakeholders and policy makers so that the right information is in the hands of those in charge of making policy decisions in a timely manner. It is also in alignment with the CCIR's risk-based approach to regulation.

The Working Group undertook a thorough review of the Canadian THI market in order to identify and better understand the issues. The Working Group conducted a survey in 2015 and liaised with various industry stakeholders³. The survey was completed by 33 THI insurers.

In addition, the Working Group called for public submissions in February 2015 and received 27 submissions from the public, mostly private citizens, about problems they saw in THI market. Finally, the Working Group considered disclosure documents, insurance policies and other materials made available and obtained through the course of the regulatory activities of its members.

In July 2016, the CCIR released its [Travel Health Insurance Products Issues Paper](#) on THI (the "Issues Paper"). The Issues Paper aimed to set out the context and situation of the THI market as the CCIR believed it existed as of July 2016. It reflected what the Working Group had learned from the 2015 survey and other findings based on the above-mentioned materials. Stakeholders and consumer associations were invited to provide comments by September 30, 2016.

1.3. THE PURPOSE OF THIS POSITION PAPER

The purpose of this Position Paper is to respond back to stakeholders on what the CCIR has learned from the consultation and to set out the proposed recommendations to CCIR members, insurers, intermediaries and the public regarding the issues that were identified.

This Position Paper considers some of the initiatives industry stakeholders are already undertaking to enhance consumers' experience with THI. The CCIR acknowledges the engagement of the industry in this regard and will continue to work with these stakeholders in light of the issues raised in this Paper.

³ Such as the Canadian Life and Health Insurance Association, the Travel Health Insurance Association, the Canadian Association of Financial Institutions in Insurance, the General Insurance Ombudservice and the Ombudservice for Life and Health Insurance.

2. RESULTS OF CONSULTATION AND RECOMMENDATIONS

From its 2016 Issues Paper, the Working Group sought input from stakeholders, both the industry and the public, with regard to:

- Whether the CCIR's understanding of the topics and issues as presented was accurate;
- Whether all significant gaps and issues had been identified;
- Which initiatives have already been undertaken or should be undertaken to enhance consumers' experience with THI and to best achieve the fair treatment of consumers in the THI market.

In total, the CCIR received 13 submissions from stakeholders to the Issues Paper that included industry associations and insurance companies. In addition, the Working Group met with some associations as a follow-up to the Issues Paper.

We thank all stakeholders who participated in the consultation process: your input has been invaluable.

2.1. PRODUCT DESIGN

2.1.1. COMPLEXITY OF TRAVEL HEALTH INSURANCE PRODUCTS

As outlined in its Issues Paper, the Working Group believes that the common practice by insurers of combining different coverages in THI products, such as single trip and multiple trip coverages, medical or non-medical coverages, emergency medical care, ambulance costs and hospitalization, overall increases the complexity of design of some THI products. This complexity may impact consumers' ability to effectively comprehend the available options and the relevant limitations in the products as they apply to them.

In their responses to the Issues Paper, stakeholders in general were in disagreement with the Working Groups position that the complexity of THI products is a core issue affecting consumers' ability to fully understand the nature of the THI products they are purchasing. From the submissions received, the industry generally believes that their initiatives focused on disclosure and education will reduce the concerns raised with regard to policy complexity and clarity in THI products. It is the CCIR's belief that the amalgamation of coverages and how policy documents are presented (e.g. bundling, number of plans, regimes and options) are factors that influence public perception regarding the complexity of THI products. The information provided to consumers should enable them to fully understand the characteristics of the THI products they are buying and help them understand whether and why they meet their requirements.

Recommendation

The CCIR recommends that product features be presented more clearly to consumers and laid out in a manner that is easy to understand.

To help reduce the perception of complexity and ensure the fair treatment of consumers, the industry should make THI products and related materials simpler and more targeted, preferably with a limited number of plans, regimes and options.

2.1.2. TERMINOLOGY AND DEFINITIONS

The travel insurance marketplace in Canada is quite diverse in the range of THI products offered to consumers. In its analysis, the Working Group observed an absence of standardization within the industry regarding the terms and expressions used in THI products. This lack of consistency in the use of terminology and the absence of standard definitions add to the confusion faced by consumers navigating the products and options available to them, and also make it difficult to adequately compare and understand product features.

The Issues Paper asked:

- What terms or expressions should be defined and standardized in order to allow a better understanding of THI products by consumers, and enable them to more readily compare products and make informed decisions?
- What other initiatives related to product design could be put in place by the industry to help consumers better understand the extent of the coverage offered and the terms and exclusions, so they can make informed decisions?
- What type of controls should be put in place at the insurer or other levels in order to ensure that consumers of THI products are treated fairly?

On this issue, there was general agreement from stakeholders that better clarification and standardization of key THI terms and expressions were necessary to help resolve the issue of consumers' understanding of the products available to them in the marketplace. However, it was observed that there is a variation amongst stakeholders as to what terms and expressions should be defined and standardized.

With regard to specific recommendations related to the design of products to help consumers better understand the coverages offered, it was suggested that insurers implement a 1-800 customer helpline. The Working Group notes, however, that this is already prescribed by law in Quebec⁴ for incidental selling of insurance and that many guides produced for the Quebec market are also used across Canada.

Stakeholder suggestions regarding the types of controls to be put in place in order to ensure the fair treatment of consumers seemed more relevant to section 2.2 *Product Marketing and Sales*. As is discussed in section 2.2, the Working Group observed that in general, the solutions put forth by stakeholders in this regard are focused on the selling of insurance, such as training and testing programs, rather than on the product design itself and types of controls that should be put in place.

The CCIR believes that the definition and standardization of key THI terms and expressions are an important building block to the success of reforms within the THI market because they will improve consumers' understanding of the extent of the coverage offered, of exclusion, restriction and limitation clauses and of medical questionnaires and disclosure documents. They will also allow consumers to more easily compare products and facilitate the training of sellers.

⁴ *An Act Respecting the Distribution of Financial Products and Services*, section 421: "The insurer shall maintain a consultation service to answer any inquiries from a distributor or from a client concerning the distribution guide."

The CCIR recognizes that the industry is already taking important steps to provide improved clarity on key terms, standardize key definitions and increase the use of more plain language in policy documents. As part of these steps, it is important that all industry stakeholders have the opportunity to provide input in developing a complete list of terms and expressions to be defined and standardized.

Recommendations

The CCIR recommends that the industry:

1. Produce a preliminary list, to be followed by a more complete list, of all relevant terms to be included in the standardization process;
2. Establish general rules regarding the use of defined terms and expressions, such as avoiding the use of synonyms and of confusing terms and expressions;
3. Establish a target deadline by which the industry can agree to use the standardized definitions for the relevant terms identified.

The industry should conduct consumer focused testing to ensure that the definitions and terminology developed and used are clear and being interpreted and understood by consumers in the intended manner.

The industry should look for opportunities to strengthen its oversight and control processes to address any recurring problems with language used with THI products.

2.1.3. UNDERWRITING OF TRAVEL INSURANCE PRODUCTS

Traditional underwriting processes for life and health insurance products have applicants providing detailed medical information to insurers for their review in order to make the decision to underwrite the risk or not. However, the Working Group found that 95% of applicants for THI products sold in 2014 were automatically accepted, in most cases based on very general medical questions with no additional underwriting.

This rate of automatic acceptance is considered to be unusually high by the Working Group, and may be due, in part, to the existence of exclusion, restriction and limitation clauses, including those pertaining to pre-existing medical conditions, that allow for insurers not to engage in further medical underwriting at the time the application is made. As such, the burden of determining the limits of coverage that apply to the insured and the product's suitability lies with the applicant, who may not be in a position to properly understand the important conditions that would affect their eligibility or suitability, contributing to existing expectation and knowledge gaps. This burden can be made even more complicated when exclusions for pre-existing medical conditions are applicable given the complex nature of the medical questions and terminology used. Together, these factors and the expectations that are created as a result contribute to the public perception that THI applications are reviewed post-claim.

The Issues Paper asked:

- How could the industry improve consumers' awareness about and understanding of exclusion, restriction and limitation clauses, especially pre-existing medical conditions?
- What changes could be made to the application process to ensure that consumers have sufficient knowledge to have a thorough understanding of exclusions for pre-existing medical conditions as well as to complete an application for THI, thus enhancing consumer confidence in the underwriting process?
- How can the industry ensure that consumers are offered THI products that are suitable for their needs?
- How can the use of medical questionnaires by insurers be improved in the context of the underwriting of travel insurance products, in order to ensure the fair treatment of consumers?

In aggregate, the industry was of the view that the education of consumers and the clarification of policy terms, including using plain language, will allow for consumers to have a better understanding of their eligibility for coverage prior to them making a purchase. There was little in the way of other feedback on how to improve underwriting practices or on assisting consumers to determine product suitability. While the industry seems to suggest that better consumer education is the answer, the Working Group believes that this approach does not address the problem and instead places a substantive burden on the shoulders of the consumer to be the expert.

The CCIR recognizes that a number of the initiatives undertaken by industry will help to reduce instances of consumer harm in the marketplace. However, the consumer perception issue described above remains a primary concern and needs to be addressed in order to reduce and eliminate existing consumer expectation and knowledge gaps.

Regarding product suitability, the CCIR believes that insurers need to ensure that the products they offer are suitable for their specific target audience and they have in place controls and processes to limit customer access to products likely to be inappropriate. In developing products insurers must ensure that they have identified the target audience to whom the product is to be targeted, have looked at the needs of that audience and have developed a product that is suitable for those needs. The CCIR believes insurers should carry out a diligent review of existing products to ensure that the products are adapted to meet the needs of the consumers to which they are the most suitable and realign or develop additional products for those consumers that have more distinct needs.

Recommendations

The CCIR recommends that insurers take steps to improve their application and screening process in order to properly identify applicants who would benefit from either a different THI product or undergo additional underwriting prior to making a purchase. Such an approach is also consistent with the outcomes promoted by ICP 19.

Steps should also be taken to better assist consumers' understanding of their eligibility requirements and applicable exclusions at time of application. Insurers should also look at how to better assist consumers who may have questions or concerns during the application process, through enhanced educated staff at call centres and help lines, and better educated sales forces to allow consumers to have more confidence over their eligibility and coverage.

The CCIR also recommends that insurers prominently inform consumers before purchase that they will use the information from the application to assess eligibility for any claim made.

2.2. PRODUCT MARKETING AND SALES

2.2.1. DISCLOSURE OBLIGATIONS AND SALES

2.2.1.1. THI DOCUMENTS

THI products can be lengthy and complex in their design, offering a wide variety of protections that may be offered in bundles or combined to create plans offered under a single-trip plan, a multiple trip plan or both. In addition to this complexity, THI products target a wide range of consumers of different ages, education and literacy where the burden of understanding the scope and significance of the product features lies with the consumer. Therefore, the Working Group believes that these products would benefit from having clear, structured and readable documents for consumers.

The Issues Paper asked:

- How could insurers ensure that the information shown in the disclosure documents is limited to that which is essential, and that the format of these documents promotes a quick understanding of the fundamental information?
- How could the industry improve disclosure documents so that they can be more easily understood by consumers?

In general, stakeholders agree with the arguments raised in the Issues Paper, that THI documents are lengthy and complex regarding the language used and the manner in which they are packaged/bundled. However, stakeholders did not provide any tangible suggestions on how to simplify disclosure documents and to help reduce their length and complexity.

Recommendations

It is the CCIR's expectation that insurers must simplify and improve disclosure documents to ensure consumers have a clear and proper understanding of the coverage, conditions, limitations and exclusions of the THI products they are offered so that they can make informed purchase decisions. Taking such steps to provide consumers with clear information before the sale will help ensure the fair treatment of consumers in the marketplace.

In addition to using plain language, insurers must consider limiting the length of disclosure documents. These documents should draw consumers attention to the important elements needed to make a purchase decision, and also refer them to specific policies therein. Furthermore, disclosure documents should be made specific to one plan, regime or option.

2.2.1.2. TIMELY DISCLOSURE

Customers should be properly informed and in a timely manner when buying any insurance product. In the case of THI products, which are complex and are offered through a variety of channels, the need to ensure appropriate disclosure before the product is sold is even more important in order to enable consumers to make informed purchase decisions before entering into a contract.⁵

The Issues Paper asked:

- How can the industry ensure that consumers are informed of the key elements of the THI coverage in a timely manner, before they make a purchase decision?

In general the submissions referred to work being undertaken to improve the quality of disclosure and to provide a one page summary of important information. The submissions otherwise did not provide other suggestions for improvement.

The CCIR strongly believes that consumers are entitled to have access to sufficient information to make an informed purchase decision. That information must be available upfront prior to the purchase and this information must be comprehensive enough to allow the consumer to understand the key terms, conditions, exclusions, etc. and be presented in a manner that is easy to comprehend.

While disclosure forms and information documents can assist consumers, ultimately it is the policy contract itself that governs the relationship. Having access to that document prior to purchase can assist consumers not only in confirming their understanding of the coverage and limits but also enable comparative shopping.

⁵ ICP 19 (19.5 - *the supervisor sets requirements for insurers and intermediaries with regard to the timing, delivery, and content of information provided to customers at point of sale*).

Recommendation

It is the CCIR's expectation that insurers should publish disclosure documents and policy specimens through the various sales channels it uses (internet, phone, in-person, group policies) for pre-purchase consultation and without the obligation to close a transaction. In addition, insurers should promote the availability of such documents in any of their promotional or advertising material. This will help ensure the fair treatment of consumers by reducing the risk of sales which are not appropriate to customers' needs.

2.2.2. DISTRIBUTION CHANNELS

THI products are distributed as individual or group plans through various distribution channels, including licenced insurance representatives, deposit-taking institutions, travel agents, employee benefit plans, directly from insurers and as a credit card benefit (embedded or not). Concerns were raised in the Issues Paper as to whether the distribution channel that consumers use to obtain their THI product has an impact on their understanding of the coverages for which they are eligible.

There were also questions raised over whether insurers have sufficient oversight and controls to ensure that those involved in distributing their products or involved in claims are appropriately licensed or qualify for an exemption. The CCIR has long taken the view that insurers are ultimately responsible for ensuring that anyone selling their products have sufficient knowledge and expertise about the product to be able explain its features and exclusions, restrictions and limitations and/or identify where consumers should seek more expert information.

The Issues Paper asked:

- How do insurers ensure that they have effective controls and oversight over their distribution channels and that proper distribution channels are used for the distribution of their travel insurance products, as well as for other coverages that do not qualify as travel insurance and which are embedded in these products?
- What should the industry do to ensure that all consumers get an appropriate and timely disclosure relating to THI embedded in credit cards?

The feedback received from stakeholders regarding disclosure for group products, including travel insurance embedded in group products and credit cards, is that it may not be well understood by consumers, and there is an opportunity for improvement. In aggregate, industry believes that its current initiatives with respect to disclosure and education will help reduce concerns regarding distribution of group products.

It was also observed that the industry agrees with the CCIR's view that insurers retain accountability for ensuring that individuals are appropriately licensed.

Recommendation

It is the CCIR's recommendation that insurers be able to demonstrate that they have in place effective controls and oversight over all their distribution channels regardless of the type of sales channel. Where appropriate, insurers should also have in place effective controls and oversight regarding those who solicit customers with respect to insurance products, or negotiate or transact an insurer's products to ensure they are knowledgeable about the product and adequately trained to sell those products. Such controls should include the collection and monitoring of data per sale channel.

The CCIR also reminds insurers that in developing clearer disclosure documents regarding THI coverage in group insurance products, insurers should consider testing the effectiveness of that disclosure and consumers' understanding of the group insurance coverage.

2.3. INVOLVEMENT OF THIRD-PARTY SERVICE PROVIDERS/PROGRAM ADMINISTRATORS

Third party administrators play significant roles in the THI product life cycle, including claims management, program development, and distribution. It is recognized that there are benefits to outsourcing business functions, such as cost efficiencies, access to markets and needed expertise. However, there must be appropriate measures in place to ensure that third parties are in compliance with applicable legislative requirements and codes of conduct and that the manner in which third parties are conducting business on behalf of the insurer does not harm consumers.

In its Issues Paper, the Working Group identified specific concerns regarding the lack of clarity as to the identity of insurers, the lack of direct recourse to the insurer regarding additional information or to pursue complaints, and in some cases using unlicensed third parties to adjust claims or sell products. Insurers are expected to have adequate controls and oversight over outsourced functions, because ultimately, an insurer is accountable for their products and for how those products are delivered.

The Issues Paper asked:

- What can be done to make sure that promotional material and policy or certificate documentation provided indirectly by the insurer through the use of third parties are not misleading or deceptive as to the identity and responsibilities of the insurer?
- Are there functions that should not be outsourced to third-party administrators in order to make the roles and responsibilities clear?
- How does delegating product development to third parties affect the insurer's role as manufacturer?
- What should be done to ensure that consumers are made aware of their right to contact the insurer regarding questions about the terms and conditions of the policy and claims disputes?
- What are some of the best practices insurers could follow to ensure that there is appropriate oversight and controls over outsourced claims functions?

In aggregate, the responses from industry indicate strong agreement that the insurer remains ultimately accountable where the development of THI products is outsourced to a third party. Some stakeholders felt that existing oversight and controls are sufficient, while others indicated that there were opportunities to make improvements in some areas, such as by ensuring the proper disclosure of an insurer's identity, and that consumers should have clear and direct access to the insurer.

From the responses received, the industry recognizes the need to pay closer attention to third party service providers; however, the Working Group remains concerned that some within the industry have differing views regarding the amount of oversight that is necessary. If insurers outsource their services, they need to have in place proper controls and oversight over such groups to make certain they are providing services properly, as if the insurer was themselves providing such services for their products.

Recommendations

It is CCIR's expectation that insurers have in place adequate controls and oversight mechanisms to ensure that customers continue to be treated fairly throughout the product lifecycle (design, promotion and disclosure, sales/marketing/conflicts of interest, post sales and policy servicing, claims, complaints/disputes) regardless of whether the customer is dealing with the insurer directly or through a third party services provider. For guidance on CCIR expectations regarding the use of third party service providers, industry should refer to the principles set out in Appendix 1 of CCIR's 2012 Position Paper "[Strengthening the Life MGA Distribution Channel](#)".

Insurers need to take steps to ensure that in all policies, documents and other materials used in conjunction with their products their identity is clearly disclosed and information is readily made available regarding how to contact the insurer regarding a complaint, dispute, or concern. Providing consumers with clear information, including who the insurer is, before, during and after the point of sale is a key outcome in ensuring the fair treatment of consumers.

2.4. CLAIMS MANAGEMENT

Insurers are expected to ensure the fair treatment of consumers throughout the entire insurance product life cycle, including claims management. In support of this, insurers should have in place fair and transparent claims handling and claims dispute resolution procedures that are also documented in writing. Consumers should similarly be informed of such claims handling and dispute resolution procedures and how the process works before, during and after a claim is submitted.

Concerns have been raised by some consumers as to how insurers manage claims, specifically with regard to claims being denied for material misrepresentation even when consumers made the most honest efforts to complete their applications truthfully. Similar concerns have been expressed about the common practice of insurers conducting a thorough review of an application only at the time a claim is made by a consumer, leaving consumers with the perception the insurers engage in "post-claim

underwriting” when in fact insurers are conducting a “claims investigation”. Such perceptions have begun to erode consumer confidence in THI.

The Issues Paper asked:

- What initiatives could be put in place by insurers to ensure that best practices are implemented with regards to claims handling?

In general, stakeholders were supportive of the need to have in place fair and transparent claims handling and claims dispute resolution procedures, some suggestions of which include adopting quality standards, including putting in place a Claims Appeals Committee, to manage and review claims handling, and for insurers to publish online information on their complaint examination process.

Recommendations

The CCIR recommends insurers look at ways to improve their claims handling processes to ensure that consumers are not unnecessarily denied for unrelated health situations or for errors or omissions in applications made by consumers acting in good faith and making best efforts to disclose.

As part of this, the CCIR also recommends the development of industry best practices regarding review and escalation processes for rejected claims to ensure that consumers are being treated fairly.

Insurers are also expected to take steps to provide better upfront disclosure regarding their claims handling processes to consumers including a clear explanation of the consequences of a misrepresentation as well as claims dispute processes so that consumers understand how to escalate a claim and how to access appropriate Ombudservices, as referenced in section 2.5.

Claims handling and claims dispute resolution practices and procedures should be documented in writing and include oversight and control functions to ensure that consumers are not being unfairly treated. Where an insurer outsources claims handling functions to a third party service provider, the insurer needs to have in place oversight and control mechanisms to ensure that the third party is acting in accordance with the claims handling processes/procedures, is acting within authority and is not engaging in any behaviour that may lead to unfair treatment to the consumer.

The CCIR supports the industry’s proposals to improve disclosure in travel insurance documentation and to review claim rejections from unrelated health application errors or omissions.

2.5. COMPLAINTS

As described in the Issues Paper, it was observed that many consumer complaints related to claims denial yet the Working Group also found that some policies, especially when a third party program administrator is involved, did not clearly disclose the insurer's complaint process. It is expected that all insurers have processes in place to deal with consumer dissatisfaction and to disclose to consumers how those processes work and how a complaint might be initiated⁶.

The Issues Paper asked:

- What initiatives could be put in place by insurers to ensure better claims dispute processes?

In general, stakeholders support the need for insurers to have documented processes in place to manage consumer complaints, and to communicate the complaints process to consumers when they purchase a new product. The Working Group believes that, similar to claims management described previously, insurers should have in place documented procedures on how complaints are managed, including for third parties that insurers outsource their services to.

Recommendations

It is the CCIR's recommendation that, in order to ensure the equitable examination of complaints, insurers should have a documented internal process for timely complaints management and dispute resolution to attempt to resolve issues before they escalate.

As part of this process, insurers should communicate to consumers how the existing complaints process works, including how to initiate a complaint (contact details) and what options are available, such as internal and external Ombudservices, where a dispute remains unresolved. Such information should be publicly available on an insurer's website.

The CCIR supports the industry's proposal to develop an industry best practice for conducting internal reviews.

By documenting and being transparent about claims management and complaint management processes, which the CCIR acknowledges some in the industry already do, insurers will help further ensure that consumer complaints and disputes are dealt with in a consistent and fair manner, which is in direct support of the standards found under ICP 19. Together, this will help strengthen public trust and consumer confidence in the insurance sector.

⁶ ICP 19 (19.10 - *the supervisor requires that insurers and intermediaries have policies and processes in place to handle complaints in a timely and fair manner*).

2.6. EDUCATION

As outlined in this Position Paper, there is a strong need for appropriate disclosure for THI products. However, the Working Group believes that there is also an important need for a better understanding amongst consumers of the THI market in general as well as the nature of THI products themselves.

The Working Group remains concerned that the industry is still putting the onus solely on the consumer to be able to better understand THI products. The industry must themselves look to help better educate consumers on THI, such as through the use of plain language, better underwriting practices and by making insurance products less complex for the consumer.

The CCIR supports the initiatives industry is undertaking to better educate consumers but see this as only a part of the area where improvement can be undertaken. In the submissions received, industry did not discuss the necessity for insurers to ensure adequate training of sellers.

The CCIR remains concerned that some in the industry are not developing training programs for the broad needs of many of its sellers and are focusing on a substantive and voluntary program that may not be appropriate for all sellers. Plain language remains key to better consumer understanding.

The CCIR also believes (*see the discussion 2.2.2 – Distribution Channels*) that insurers are responsible to ensure that any seller, exempt or licensed, has adequate knowledge about the product to explain key terms, conditions, exclusions and coverage options, or otherwise provide reliable information to the consumer on the product or know when and where to direct the consumer for that advice.

Recommendations

Insurers are expected to ensure that any seller, exempt or licensed, has adequate knowledge about the product to be able to:

- Explain key terms, the nature of the guarantee, options, conditions, and exclusions of the product; and
- Provide reliable information/advice on the product or know when and where to direct the consumer for information/advice.

In order to enhance consumers' awareness and understanding of THI products, the CCIR recommends that industry look to educating consumers on the following key areas:

- There are different coverage options available, possibly not all suitable;
- There are many exceptions and limitations that can apply and they can vary from one product or even from one plan to another;
- What are pre-existing medical conditions, their role and their potential impacts,
- The importance of the application process and the consequences of inaccurate information, good faith or not;

- The need to declare any change in their health conditions they may experience between the moment they filed their application and their departure; and
- That coverage under group plans may have limitations that need to be understood.

2.7. DATA COLLECTION

From its 2015 survey, the Working Group observed that some insurers did not collect or monitor data that would help provide more insights into how their products affect consumers, as part of their overall oversight and control regimes for THI products.

The Issues Paper asked:

- What key indicators could be standardized and implemented to ensure proper monitoring of insurers' THI activities?

Overall, stakeholder responses to the Issues Paper indicated agreement that the monitoring of key metrics and indicators would be of value to insurers in their efforts to improve their processes, in particular around complaints and customer service.

The Working Group believes that the industry understands the need to improve their collection of appropriate data for the purpose of enhancing oversight and controls. The Working Group also recognizes that industry will want some feedback from regulators to ensure that the data they collect is aligned with regulatory expectations.

The CCIR acknowledges that the industry has proposed a number of initiatives that have not yet been started or are still in the early development stages and that it will take some time to implement and take effect in the THI marketplace. While the initiatives all have promise, it is not yet clear how effective these initiatives will be when implemented.

Recommendation

As the success of the CCIR's recommendations can only be evaluated following their implementation, the CCIR will monitor their adoption by the industry, as well as the implementation of the industry's proposals. CCIR also believes that in developing and implementing its proposals, industry should consider how it will measure the effectiveness of the proposals in achieving their desired outcomes. CCIR intends to continue to work with industry to identify key metrics that should be collected by industry, so both regulators and insurers can proactively monitor THI.

3. CONCLUSION

While Canada has a strong and competitive travel health insurance marketplace, there are opportunities for improvement to be made, especially in the fair treatment of consumers. As such, CCIR members continue to view travel insurance as a key issue to address.

In its Issues Paper the Working Group outlined some key issues, which clearly affect the fair treatment of customers as defined by current international standards. It remains essential for the THI industry to adapt its practices to better reflect the concerns voiced by CCIR members in terms of market conduct and the adherence of current practices to international standards.

4. NEXT STEPS

The CCIR will continue to monitor the work undertaken by the industry to address the issues identified. The CCIR also expects that insurers will begin to put in place data collection methods to measure and evaluate the success of the initiatives undertaken. The questions put forth in the CCIR's 2015 Travel Health Insurance Survey outline the areas regulators expect insurers to be able to track information against.