Beat The Rising Costs Of Travel Insurance: 10 Tips To Slash Travel Insurance Premiums

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The loonie's decline against the U.S. dollar and Euro over the past 12 months alone has been more than 10%.

During this period, U.S. goods and services increased by 17% while medical inflation increased by 5-6%. In response to these economic pressures, Canadian travel insurance providers generally raised their premiums by 15% +.

Faced with this budgetary squeeze, how can Canadians mitigate premium increases without sacrificing on the "quality" of the coverage—that is by rejecting coverage that may be a few dollars cheaper but comes with a substantially greater potential of claim denials? What are the options, other than the obvious measures: shortening trips or not traveling at all?

Some Canadians, it seems, have come to expect that our governments would be there to protect us from all manner of life's adversities.

In a forthcoming series of articles, I will detail why the dynamics of policy structures combined with current insurance regulations may fall far short of Canadians' expected level of consumer protection. More importantly, subsequent articles will cover the practicalities of shopping for travel insurance intended to minimize the fearsome financial burden of a claim denial.

The Travel Health Insurance Association (THIA)'s advice to Canadians to take the purchase of travel insurance very seriously is well founded. The concern I share particularly among many seniors/snowbirds is whether there is sufficient reciprocal legislation putting the onus on insurers to do likewise. One such example was evident in an individual travel insurance health survey commissioned by THIA[1] "indicating that 18% of respondents have inadvertently provided inaccurate health information on travel health insurance forms - something that can void an insurance policy".

In a presentation for *Canadian MoneySaver* at the World MoneyShow, I asked the audience just five questions (not the typical 20+) that may appear on travel medical forms. Out of hundreds of attendees, by far, the greater majority failed to answer the five questions accurately. In real life, would they have been covered had a claim arisen?

The Honourable Justice Wells [2] said this about travel insurance in his independent review to the Ombudsman Life and Health Insurance (OLHI):

"Fairness: For example, travel insurance may be purchased and the premium paid, but there is no underwriting process at that time. If there is no call upon the travel insurance, it expires at the end of the specified period and that is the end of the transaction. If on the other hand, there is a claim, the insurer closely examines all of the circumstances to determine whether or not the claimant's factual disclosures at the time of the application were correct."

It is indisputable that insurance providers remain the sole architects of the underwriting process, policy terms and (where required) medical questionnaire. In this context, is it fair, where supporting client information from insurers may have been ambiguous, ill-defined or subject to broad interpretation, that consumers alone bear the fearsome brunt of a voided policy?

My report to the Canadian Council of Insurance Regulators (CCIR), on the urgent need for improved regulation asked legislators to consider revamping insurance regulations to balance the playing field primarily through restricting insurers' rights to arbitrarily void their clients policies in circumstances where coverage was purchased with the utmost good faith and due diligence but yet ran afoul of a particular insurers interpretation of what constitutes a "material misrepresentation".

Meanwhile let's explore opportunities to reduce premiums without sacrificing the quality of the coverage.

TIP #1:
Pre-Existing Medical Conditions? Shopping Can Save Up To An Astounding 40%+

Routinely, even with the same travel insurance provider offering two different policy models, I have found premiums can vary considerably. Why? One policy may determine risk categories with the emphasis on the number of current underlying medications to manage a medical condition. It may be advantageous both for health and travel insurance purposes to determine with your physician whether all the medications prescribed continue to be relevant to maintain treatment.

Know that the number of medications can be a crucial insurance pricing determinant.

For example: A reduction from three to two medications for a major medical condition could lower your premium by up to 40%. Likewise for an applicant reducing his/her medication from two to one.

In comparison, another policy model may determine risk levels based on the date of diagnosis and treatment of pre-existing conditions (and not by number of medications).

Hence the importance of matching your personal medical history to the most suited policy type. Customization is key.

Example:
- Cancer as a pre-existing condition but no longer currently being treated. Rate differential = 68%
- Diabetes as a pre-existing condition but currently being treated with only one medication. Rate differential = 50%

Strange Paradox:

It's always puzzled me why retailers generally offer a wide variety of brand name products with the exception of travel insurance where only a single brand is on the shelf.

Example:
Some grocery, department stores, office supply chains, senior/snowbird advocacy associations, automobile associations, credit card companies, banks, travel agencies, etc. sell one particular insurer's plan. Why restrict your opportunity in obtaining the best policy?

TIP #2:
"Tagging-Up" with a multi-trip (annual plan) can generate savings up to 60% vs. comparable travel days on a single trip plan

This is especially of interest to those Canadians who have reason to return to their home province mid-trip for business or other concerns.

Examples:
A 30- or 60-day multi-trip plan tag-up for comparable durations of a 60- or 120-day single-trip plan can reduce premiums by up to 60%.

TIP #3:
Consider Canadian Destinations to Reduce Premiums by up to 70% versus a Worldwide Travel Plan

Also worldwide plans excluding USA may reduce premiums by about 10%;

Some insurers offer an economic bonanza for those Canadians who predominantly remain in Canada except for a brief sojourn out of country. For example, a well-priced, five-day, multi-trip plan for outside Canada may include unlimited days of coverage within Canada (except in your province of residence).

TIP #4:
Astute Usage of Non-Standard Deductibles:

Generally there is no major advantage of electing a high deductible on the moderate premium. For example, would you choose a $5,000 deductible on a $100 premium only to save 45% in premium? While each person's comfort zone will differ based on their financial means to support the higher deductible, generally speaking, with premium levels of $2,000 and up, the higher deductible can generate meaningful premium reductions. Deductibles between $2,000 to $10,000 can generate premiums discounts of 20% to 45%.

Examples:
On a $2,000 premium with a 20% discount, your outlay would be reduced by $400;

On a $5,000 premium with 45% discount, your outlay would be cut by over $2,000;

TIP #5:
With a 30% Daily Rate Banding Differential at Stake, Keep an Eye on Trip Duration Cut-Offs:

The longer the trip, the higher the coverage rate per day. With knowledge of rate structures and advanced pre-planning flexibility, shaving even a few days off your trip to bring your price into a lower band, could generate considerable savings.

Bear in mind when you enter a longer trip duration band, you'll not only pay a higher premium on the extended days but also backdated to your departure date.

TIP #6:
Don't overlook "Free" Employer Group Benefit Coverage:

Warning: be sure you're not exceeding the coverage duration. Also be aware that recently many Group Benefit plans have incorporated pre-existing stability clauses. If you have a significant pre-existing condition that would be excluded from coverage under your group insurer, consider purchasing your own individual plan overlapping coverage thus providing protection for "unstable" pre-existing medical condition(s).

TIP #7:
Imminent Age Change - Awareness of Premium Age Banding Can Defer Cost Increases Up to One Year (See Chart Below):

Savings of Deferred Age Band Increase:	
AGES	**Savings**
64-65	**30%**
69-70	**32%**
74-75	**67%**
79-80	**70%**

Be cognizant whether the particular insurer bases their rates on age at purchase or age at travel.

Age at purchase process would favour purchase with certain insurers allowing deferral of your "Happy Birthday" rate increase for up to one year.

Example:

A day prior to your 75th birthday, lock in premiums at age 74 rates for a one-year term thus deferring the 67% rate increase;

TIP #8:
Do You Really Need All the Bells and Whistles of a Bundled Travel Product at 25% Premium Extra?

Certain providers heavily market travel medical plans, which include baggage, accidental death, car rental, trip cancellation/interruption insurance while ballooning premiums by as much as 25%. I prefer unbundled products so consumers can see exactly what they're buying. The primary focus should be on choosing the "safest" medical plan because that's the biggest ticket claim risk.

A myriad of policy extras can distract you from shopping for the most appropriate medical plan. Moreover, for example, with Baggage Insurance there are fine print clauses, ifs and buts, which invite subsequent consumer dissatisfaction when claims are filed only to learn that there is per item maximum limit, or that electronic items may not be covered, and so on.

When the claims are ultimately restricted, it can leave a sour taste in the travelers' mouths, "Here we go again—insurers gladly take my money but don't pay out."

A Word About Trip Cancellation/Interruption Insurance:

Again, the necessity or not to purchase this coverage is a judgment call based on each consumers' personal comfort zone. Ask yourself whether you can afford to "self-insure" the risk (i.e. not buy insurance).

Premiums fluctuate from age 59 to 89 and are graded by age brackets and can add between 7% to 18% of your trip cost.

TIP #9:
"Family" Emergency Medical Plan Can Save Up to 50%:

Typical Family Plan rates are available up to age 59 (of oldest age applicant). Most are priced based on children travelling "premium-free".

Example:

A family of four can save up 50 percent of the cost of insuring each family member separately.

TIP #10:
Buy Now To Avoid Future Price Hikes:

If, as expected by some, additional rate hikes could be around the corner with the further devaluation of the Canadian dollar against other currencies, by buying now you could lock in current rates. Many policies may allow considerable flexibility to subsequently amend the departure/return dates at NO extra charge. Moreover, should your travel plans change drastically, the policy may allow cancellation of the plan prior to the effective date with 100% refund.

A Final Word:

Yes, purchase travel medical at the lowest cost for appropriate coverage.

Be cognizant of the uncertain nature of the Post-Claim Underwriting process under which most individual travel policies are marketed.

Can consumers possibly have a well-founded confidence that travel claims would be honoured given the following general practice?

1. Insurance providers have downloaded the initial responsibility of underwriting onto their customers. It's a Do-It-Yourself (DIY) system. Based on the information provided by the insurer, it's the customer who will initially determine if they are eligible for coverage and if so at what price.
2. By all means, consult your doctor for assistance in completing the application (and possibly a lawyer, where required) but be aware that your physician's advice may not be accepted by the claims examiner;
3. Based on current insurance regulations and typical policy wording, it will be the insurance provider who has sole discretion to determine whether there are grounds to declare the contract null and void. Their customers may have purchased the insurance with the utmost good faith and due diligence, yet, through no fault of their own, run afoul of a particular insurer's unclear interpretation of what constitutes a "material misrepresentation".
4. The penalty for even a trivial non-eligibility misrepresentation or inaccuracy with many (but not all) insurers can be the same as if no coverage was purchased. The consumer will likely be responsible for paying their own medical bills.

What can you do to ensure you purchase quality coverage?

I strongly recommend you review my previous numerous travel insurance articles in the *Canadian MoneySaver*, including the reference to a Travel Insurance Safety Check. Watch for my subsequent articles with very practical information on how to avoid the pitfalls of certain travel insurance policies.

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