



Travel Insurance: Beware of Policy Gremlins a.k.a. The Fine Print - Part 2

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In the previous article, I referenced how inadvertent and inaccurate responses by the applicant to a murky Gremlin-loaded medical questionnaire could readily lead to the invalidation of the policy contract.

This follow-up article will provide solutions and advice on the process of purchasing travel insurance to minimizing the risk of exposure to your own assets from retroactive rescission of the coverage.

At this point you may have concluded that the best solution is simply to avoid insurers that demand a medical questionnaire. Well, no. For most applicants over 55 and/or for trips of longer durations, the questionnaire is part of the mandatory application process. Moreover policies with no medical questionnaire may also have many adverse clauses such as:

1. Insurers may merely state rather than ask the medical conditions. This still leaves room for ambiguity;
2. The “flying standby” clause a.k.a. change of health clause. How can you plan ahead when there is no certainty that your insurance coverage will be continued? This adverse provision states that you must report changes in health on the single-trip plan between the purchase date and departure or in the case of a multi-trip (annual plan) prior to every departure. Under this clause the insurer is free to cancel your policy, raise the premium and/or not cover you for specific medical conditions.
3. Adverse stability clause.

Here Is One Such Example:

The Imitation Stability Clause

These policies could be relatively cheap but unbeknownst to the consumer would not cover any pre-existing condition for which treatment was ever received. They could include back to birth or refer to a specified timeframe. It's very difficult for the consumer to differentiate between this clause and a more generous one that does cover pre-existing conditions, providing they have been stable over a certain timeframe prior to departure.

Imitation Stability Clause Example

“Benefits are not payable for costs incurred due to: any sickness, injury or medical condition, that exhibited symptoms for which a diagnosis need not have been made or required any or all of, medical consultations, prescription medication, medical treatment or hospitalization, within the of 180 days immediately prior to the effective date.

➔ **Tip:** The foregoing would exclude coverage for any treated medical condition within the specified time frame whether stable or not.

What's The Solution?

So what's the solution? Should we all just throw up to our hands in despair and not purchase any travel insurance or not travel at all? Absolutely not. There are policies on the market that provide fair coverage at a reasonable price. Consumers would have to do their part in becoming knowledgeable shoppers. To minimize the risk of exposure of your own assets to arbitrary rescission of insurance coverage, insist on a concise and precise (gremlin-free) medical questionnaire. Even more

importantly it's a non-starter if the policy has a financial penalty cap due to an inaccurate response.

Shop for a policy that allows you to pay a medical health questionnaire (MHQ) deductible if you're faced with a huge medical bill but would traditionally be denied coverage because of an unintentional mistake. What this means is that the insurer shows some understanding and compassion when it comes to an oversight on your MHQ. Rather than deny your claim entirely based on an error, they would apply a deductible if the claim was otherwise payable. Consequently, the largest financial loss will be that deductible.

Although the deductible isn't cheap (it can be \$15,000 in some cases), it would make it a huge difference if your medical bill were in the tens, or even hundreds, of thousands. You'd be surprised how quickly the bills add up if something happens abroad; a \$100,000 bill isn't uncommon.

Five Quick Tips

1. Don't buy blind. If the provider does not offer a sample policy contract prior to purchase, move on.
2. Be reluctant to answer medical questions over the phone without advance written copies. Moreover, insist on the completed version of the hard copy prior to finalization—otherwise significant details may get left out.
3. Avoid gremlin policy and wording by answering questionnaires between 1 to 20 questions (including subsections of those questions). Recommended length should be under 20 questions.
4. As a safeguard, insist on a penalty cap for misanswered questions.

5. Be skeptical of policies where the contract bars their customers from seeking legal recourse in the courts. Certain policies insist on disputes being settled by an arbitrator with no right of appeal to the courts. At minimum know the stats of the particular arbitrator. How many complaints made versus those settled in favour of the consumer?

Final Word

For further advice on comparative shopping, you may consult my website for a "Safety Checklist". I am a strong advocate for travel insurance that provides greater safety and certainty for consumers. You can also read my report to the CCIR entitled "Travel Insurance: The Urgent Need For Improved Regulation Governing Contract Voidability". This submission details the dynamics of policy structures combined with current insurance regulations which may fall far short of Canadians' expected level of consumer protection.

CCIR Update

The CCIR made an examination of travel insurance one of its key priorities in 2015 including a travel insurance survey asking insurers for their detailed stats on claim denials. As a result, they formed a working group that is currently undertaking research on travel insurance. We've been told to expect the Issue Paper to be released this spring.

Meanwhile, it's buyer beware!

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