



The Elusive And Misunderstood Stability Clause In Travel Insurance Policies

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In his June and July 2016 CMS articles: *Beware of Policy Gremlins*, Bruce Cappon¹ alerted *Canadian MoneySaver* readers about the ambiguous and ill-defined wording (“Gremlins”) found either in the questionnaire or in the policy declaration statement of some travel insurance policies. He recommended avoiding these contracts. In Part II of his article, Bruce further warned how younger applicants or anyone exempt from completing a medical questionnaire would not be sheltered from a devastating large claim denied (“Million Dollar Baby”²). This is because any pre-existing or new medical conditions which develop prior to departure would also be assessed at claim time against the “Stability Clause”.

Travellers who are not required to complete a medical questionnaire may be completely oblivious to the fact that this stability clause applies to them as well (e.g. students, sports teams, young families, etc.). The “Stability Clause” can be easily overlooked because it hides in the definition section at the back of the policy. Therefore, when encountering the word “stable” in the policy contract, be sure to check its definition in the policy’s glossary. Applicants naturally rely on their doctor’s reassurance that they are “stable” to travel. It seems like common sense to do so. Unfortunately, when it comes to travel insurance, a doctor’s interpretation of stability may widely differ from the insurance companies’. The policy definition will prevail at claim time. The focus of this article is: to review the insurer’s stability requirements, to clarify the definitions and how it diverges from your doctor’s interpretation. Finally, what to do if you do not have the required stability or if you lose it prior to departure?

After extensive research of the travel insurance market, you’re confident you’ve found a plan, which offers generous options including a “compassion clause”. However, after doing your due diligence avoiding ambiguous medical

questionnaires and eliminating contracts riddled with punitive clauses, it is of the utmost importance to review the insurer’s “Stability” requirements meticulously. The favourable underwriting of your claim also hinges on how careful you are when going through this process. A lead time of at least three weeks is recommended when applying as you may have to verify the content of your medical file with your doctor. Please note, we are not suggesting that your doctor completes the medical questionnaire. As Bruce Cappon wrote in the past: “Doctors who wish to help their patients by completing these medical questionnaires on their behalf are walking into a minefield... consult an insurance broker with comprehensive knowledge of how each company defines the issues, and who could assist them in completing an application appropriate to those definitions.”³

By rushing the application process you are putting yourself at a disadvantage and possibly at a higher chance of a claim denied. When going through the application process, ensure you:

- Obtain a copy of the initial medical questionnaire you complete
- Demand the policy wording and the quote in writing to give you time to review everything before binding the contract.
- Ensure a licensed broker is available to answer all the questions you may have about the quote and/or the policy definitions. Ask your broker whether the policy you’re applying for would be voided if you made a mistake on the questionnaire
- Verify if it contains the optional stability rider if your health changes before departure.

Whether you are completing a questionnaire or not,

scrutinize the insurance carriers' stability requirements, as follows:

1. Find out the stability duration requirement: These requirements vary greatly depending on the insurer. The stability period can vary from 90 days, 180 days up to 365 days. The shorter the duration, the better. Insurers will not cover pre-existing medical conditions, which are unstable within your prescribed timeframe prior to departure. Your stability period is typically determined by the answers on your questionnaire, or by age if you are not required to complete one.
2. Next, you'll need to determine if your pre-existing conditions are stable within your designated stability period. But, how do insurers define stability? One example of stability definition could be:

You are stable *if*

- a. There has been no deterioration of your condition as determined by your physician, and
- b. There have been no new symptoms or findings or more frequent or severe symptoms or findings, and
- c. There have been no symptoms experienced by you related to the condition that remains undiagnosed, and
- d. There has been no change in medical treatment (important: review the insurer's definition of treatment carefully as it likely includes investigative testing!), and,
- e. There has been no alteration (increase, decrease or stoppage) in any medication for the condition, and
- f. There has been no new medical treatment prescribed or recommended by a physician or received.

A few important things to keep in mind. The word "Treatment" in travel insurance policies can be deceiving. It may have a very broad meaning, which includes for example any prescribed therapeutic treatment such as physio or even investigative testing. Please refer to the definition section of the policy.

I also want to bring your attention to the word "alteration". This is where your doctor's definition of stability may clash with that of the insurer. In your doctor's opinion, if you decrease or stop a medication, you are more stable than before. For insurance companies,

it's the exact opposite. The medical condition affected by this "alteration" has suddenly become unstable and will NOT be covered in the event a claim is triggered by this condition unless you add a stability rider (if offered by the insurer). This is with lenient companies! Other insurers may void your whole contract if you have an unreported change prior to departure.

Remember this is post-claim underwriting and the insurer relies on you to be accurate when going through this assessment. They will only underwrite your policy and verify the accuracy and veracity of your answers at claim time by obtaining your medical file. For younger people, the stability requirement can be risky because in the absence of a medical questionnaire, many travellers are totally unaware they could still have their claims denied.

3. What are your options if you determine that some of your pre-existing conditions are not "stable" as per the insurer's definition? This is where the careful selection of your plan is tantamount to having your claim paid or denied. By selecting a policy with an optional stability rider, you increase your chances of at least being eligible for some coverage if you are or become unstable during the term of the policy. Please note that if you buy an annual plan, the stability is evaluated prior to each departure. You'll enjoy a more worry-free vacation by choosing to add this rider.

In a nutshell, if you have pre-existing medical conditions which are or become unstable within your set stability period prior to departure and you are faced with the dilemma of travelling without coverage or with limited insurance, (i.e. excluding your unstable pre-existing conditions), you should make sure you have the option to purchase the "stability rider". If the policy does not offer this option, move on. Without this rider, the insurers may cancel the contract days before your departure date, or raise the premium and exclude these unstable conditions. Other more flexible providers will give you the option to purchase a stability rider which would cover your unstable conditions between \$150,000 or \$250,000 and reduce the stability period for those unstable conditions to 8 clear days prior to departure, for example. We recommend you inquire about the stability rider at time of purchase. Also, if you buy an annual plan, ensure you have the option to add the stability rider at any time during the policy year if your health changes. Finally, ask if the stability rider is a "blanket rider", which will cover ALL unstable medical conditions (current or future). Beware of companies which charge you per condition.

Another word of caution: Please review the exclusion associated with the stability rider. Certain factors may nullify its protection. The most important one is if you have tests or results pending the return of your trip. In that case, the stability rider will not cover the specific unstable condition, which is still under investigation. However, any other unstable conditions, where all tests and results have been obtained within the stability rider's waiting period remain covered. Remember, all test/results must be obtained typically 8 clear days prior to departure to be covered by the stability rider.

With the "Misrepresentation Clause", you know that one (wilful or candid) mistake on the medical questionnaire can void the entire contract at claim time with certain insurance companies while others will impose a monetary penalty prior to paying the rest of the claim. The "Stability Clause", on the other hand, is more elusive, with its definition hiding in the glossary at the back of the policy. It can be easily overlooked especially when we naturally rely on our doctor's reassurance that we are "stable".

Unfortunately, your doctor's interpretation may be at odds with the policy definition. Furthermore, the "Stability Clause" impacts ALL applicants whether they are required to complete a medical questionnaire or not. Therefore, one important step of the application process is to match your assigned stability period with the stability

of all your major conditions (those that would likely cause an expensive claim while vacationing). Secondly, check with your travel insurance broker to make sure the policy offers an optional blanket stability rider in the event you need to add it at the time of application or post purchase if your health changes prior to departure. And of course, the more time you have between application and departure dates, the better your chance to build stability!

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- 1 "Beware of Policy Gremlins" Bruce Cappon, *Canadian MoneySaver* June/July 2016"
 - 2 "Million Dollar Baby" CTV interview with Bruce Cappon <https://youtu.be/tnDBbagHjPY>
 - 3 "Pitfalls to Avoid In Snowbird Patients' Health insurance", Bruce Cappon, *Canadian MoneySaver*, March/April 2013