



# Understand Travel Health Insurance Policies

Jeff Buckstein

**R**ead the fine print. That's the message experts have for travellers of any age who wisely take out an insurance policy, especially when it comes to health matters that could potentially lead to financial catastrophe if handled improperly.

Bruce Cappon, an Ottawa-based insurance broker and co-owner of First Rate Insurance Inc., suggests the following hypothetical scenario to illustrate what could happen to an unsuspecting traveller who doesn't read his policy carefully and is under the mistaken assumption he is financially covered when tragedy strikes. Chris, a 21-year old Canadian university student, is enrolled in an overseas education program in Spain. He purchases out-of-country coverage for 183 days at the beginning of the school year in September and flies overseas, thinking he is covered until the end of the academic year in March.

All goes well during the first semester, and Chris' parents surprise their son with a return ticket home for the Christmas holidays, which he enjoys with family in Canada. After New Year's Day, Chris returns to Spain for the second semester, but is involved in a serious car accident that winter. The cost of hospital and medical bills is \$35,000.

Is Chris covered for that mishap?

"That all depends," says Mr. Cappon. Had he purchased a single-trip plan, the plan would have technically ended once he returned to Canada at Christmas time, even though Chris had intended to return to Spain to complete his studies and purchased coverage for six months.

"That's an easy mistake for a consumer to make—to think they're still covered," Mr. Cappon stresses, adding that the proper solution to cover Chris' post-Canadian holiday period would have involved purchasing an annual medical travel plan.

## Snowbirds might also want to consider annual plans

A similar situation could involve a "snowbird" who intends to travel to Florida or Arizona for six months between October and April, but at some point while they are in the United States decide to change their plans and tem-

porarily return home—say for the holidays or to deal with a family situation (i.e., the birth of a grandchild, or other family member's illness), before heading back to the U.S. to complete their vacation.

The premiums paid for an annual plan can be quite reasonable and certainly well worth the investment if a medical emergency occurs and expenses are incurred.

At Medipac International Inc., for instance, that company's healthiest clients in the 66-70 age range, who don't have any major medical issues, can travel for six months or 183 days for C\$799, with a basic US\$99 deductible. But if they wanted to extend that to cover all future trips of 23 days or less duration over the rest of the year, they could do so for only an additional C\$98, says Chris Bradbury, the company's vice-president of communications.

Moreover, the basic premium could be lowered based on how high a deductible the client was willing to pay. If, for instance, the client increased their deductible amount to US\$1,000, their original six-month premium would reduce to \$712 in Canadian dollars. Wealthier clients able to pay as much as US\$5,000 or US\$10,000 out-of-pocket could also substantially reduce their Canadian dollar premium even further to \$537 and \$436, respectively, Mr. Bradbury notes.

By comparison, a single 23-day trip with Medipac, with a basic US\$99 deductible, would cost C\$126, which is only \$28 more than the \$98 add-on costs described above.

Travel Underwriters, based in Richmond, British Columbia, actually offers a financial incentive for its clients to select annual coverage. One of their plans features annual premiums of approximately C\$1,000 with about a US\$250 deductible for a healthy 65-69-year-old travelling to the U.S. throughout the year. That includes a maximum six-month trip at any one time. In contrast, the premium for a single six-month trip would be about C\$1,500, with the same deductible.

"We really push the annual plan," says president Kathy Starko. "In some circumstances, it's a better deal for a person to buy an annual versus a single (plan). It's a better deal if they're going to be travelling more than a couple of

times a year.”

The experts also remind travellers that cross-border shopping technically constitutes an international trip and that insurance should be considered whenever travel, no matter how temporary, is planned to the U.S. “You could go shopping and break your ankle or have a heart attack, just the same as you could on vacation, and be stuck (there),” says Ms. Starko.

Seniors, in particular, must be especially conscious of all health-related matters when they travel, whether it is for a short-or-long term duration, simply because of the close correlation between health problems and age. And whereas a younger person in good health who is travelling for a limited period, say two or three weeks, might quickly arrange for standard insurance at relatively low premiums to cover what is presumably a small exposure risk, that is not the case for seniors. They, especially those who are retired and travelling for a longer period of time, are at much greater risk and therefore need to make the acquisition of proper health insurance an integral part of their planning.

The first thing they need to make certain of doing is to fill in their medical history questionnaire with “candid honesty”, advises Lawrence Barker, Toronto-based executive director of the Canadian Snowbird Association (CSA).

The reason is simple: insurance companies can cancel benefits and return premiums if an illness occurs and during the claims process it is subsequently discovered that a material health fact was not disclosed—something that is spelled out in every contract. “Some people who complain to me are individuals who wanted to save a buck. So, they erred on the side of answering the question “no” when it really technically should have been a “yes” answer,” Mr. Barker says.

### **“Medically stable” period crucial**

Insurance companies typically insist that the insured remain “medically stable” for a specified period, such as 90 days, prior to the travel departure date in order to remain covered against certain medical occurrences. Therefore, the insured has an obligation to report any major change in their medical condition between the application and departure dates.

That sounds simple enough, but experts stress that expectant travellers need to remain diligent because they might be obligated to report things that don’t immediately come to mind. For instance, “simply going to the doctor to have your medication reduced is a change,” notes Mr. Barker, who adds that the traveller might figure that is not reportable because it is a sign their health is improving.

Medipac uses the 90-day stability window to cover various medical conditions. These include high blood pressure or diabetes that is orally medicated or controlled by diet, and certain types of controlled cancer, such as tumours that

can be surgically removed - provided policy holders have not required changes to their medication, or been treated for more than 48 hours in hospital for that particular illness, during the 90-day period.

So long as they met those conditions, “they would be deemed stable and controlled and, therefore, be able to travel with the Medipac program without being concerned about any exclusions or limitations on their coverage for that”, says Mr. Bradbury.

For more serious illnesses, however, the period defined as being medically stable could be much longer. Medipac, for instance, requires anybody who’s had a heart attack to remain stable and controlled for at least one year “because after you have a serious episode like that, it takes some time to make sure you’re not going to have any recurrence of the problem,” Mr. Bradbury explains. In that situation, “you need to be close to home where you’re going to be comfortable, and around the medical professionals that have been treating your disease from the start,” he adds.

Medipac’s defined stability period spikes even more dramatically to five years for policy holders who have lung cancer or some form of metastatic cancer that has spread from its original location.

Travel Underwriters takes a different approach. Their stability period is six months and covers all illnesses. Thus, travellers are not excluded from purchasing coverage because of certain illnesses (provided they are not travelling against doctor’s orders); however, premiums are adjusted relative to the traveller’s overall health. If, for example, the traveller had one major medical condition such as having survived a major heart attack a year before travelling, their premiums would increase by about \$500 to \$700, Ms Starko says.

### **Country specific insurance—and don’t forget Canada**

Mr. Cappon provides another hypothetical scenario to illustrate the importance of reading the fine print.

A couple in their 60s take out travel coverage for a three week visit to Europe, but prior to departure decide to spend a few days in Florida to visit their daughter and new grandchild. While in Florida, the grandfather suffers a major heart attack and is hospitalized, incurring US\$68,000 in expenses. To avoid such a financial catastrophe, Mr. Cappon says the couple should have ensured they were covered for the entire period they are away from Canada—not just when their European vacation starts—and that the policy must cover worldwide occurrences.

Some policies cover worldwide health incidents in any country, including the United States, but others specifically don’t cover the U.S., where medical bills tend to be extremely high. Travel Underwriters, for example, generally offer premium savings of about 10 per cent to 20 per

cent to international travellers who are not going to the U.S.

"It's the most expensive (country) to land in the hospital in," says Ms. Starko.

In addition to being upfront about one's medical history, travellers must also be honest about revealing all of the countries they are planning to visit while away from Canada. If, for instance, one of those countries was involved in political strife, to the point where there was some physical danger in going there, the fine print might exclude coverage in that venue.

Even if the country is insurable, travellers must find out what types of medical services can be insured, Mr. Barker emphasizes. A traveller in certain African nations might, for example, need to be evacuated out of that country in order to receive adequate health care should an emergency arise. Therefore, they need to know if the transportation costs to cover such an evacuation are insurable, he says.

The experts also stress that travellers shouldn't forget to insure for out-of-province travel within Canada, with policies generally available at a fraction of the cost of travelling abroad. Provincial health coverage is generally portable across most of Canada especially for major costs such as hospitalization and surgery, but coverage for certain other services, such as medication, ambulance transportation, and other incidental personal costs, might not be.

The coverage for and logistics involving medical costs incurred in Quebec might differ. The Ontario Health Insurance Plan website notes, for instance, that "in Quebec, you may have to pay for physician services and then submit your receipt to your local ministry office for payment."

Travellers also need to keep in mind that a health policy generally covers emergency medical treatment only and that if they are stricken, particularly when abroad, they may be required to cancel their trip and return home for treatment, with the insurance proceeds used to transport them back to Canada.

"This can be a bone of contention for some people if they're new to the travel medical insurance world," says Mr. Bradbury, who points out that Medipac will often insist travellers return home because of the strong possibility that medical condition will recur. "People would prefer to finish their journey, of course, but unfortunately" some have to return home to address those medical concerns, he adds.

Nor can travellers come back to Canada for medical treatment with the intention of returning to their holiday destination without facing the very real possibility that will negatively affect them "being stable and controlled," warns Mr. Bradbury.

"We cannot provide insurance coverage to people on a continuous basis if they return to Canada to address their own medical concerns. If they've left in October to go on their annual trip down south for the winter and then come back to Canada to get more medication and visit their doctor, that's where things can get a little bit tricky because it might be changing the terms of their insurance contract," he says.

That's not necessarily cast in stone, however, and there are instances where Medipac shows flexibility, but the key thing is to "have an open dialogue with the client about their reasons for returning to Canada...to make sure we're all on the same page," Mr. Bradbury stresses.

*Jeff Buckstein, CGA, Financial Journalist, 32 Ipswich Terrace, Kanata, ON, K2K 2R4 (613) 599-2498*

Editor's note: Please see a sampling of travel health insurance providers in "Best Rates" on page 39. For a complete listing of the providers compared by Fiscal Agents visit <http://www.fiscalagents.com>. The sampling is not necessarily the "best rates" but an overview of the coverage available.



## Watch out!

The B.C. Securities Commission wants investors to avoid the lawless OTC Bulletin Board and "pink sheets" in the U.S. There are well over 800 B.C.-related companies

that trade on them.

These 2 entities are not real stock exchanges. As reported in *Investment Executive* (July 2006), "They have no minimum listing requirements, trading is not monitored and news releases are not reviewed.

Bulletin board companies are required to file financial statements, but companies can be totally insolvent and still trade. Pink sheet companies don't even have to file

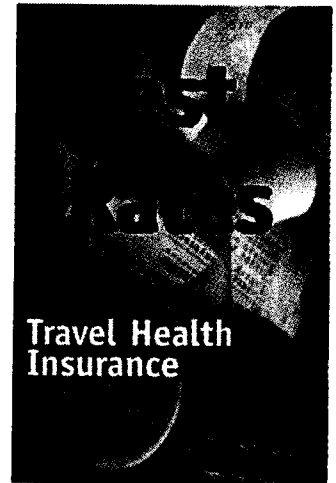
financial statements. The result is that almost any piece of junk can trade on either market.

The migration of promoters to the U.S. OTC markets has created a strong demand for shell companies that can be used as vehicles for stock promotions. To meet the demand, promoters have established groups of locally based shareholders who will, for relatively modest remuneration, lend their names to meet share distribution requirements.

The putative shareholders usually agree to sell their shares to whomever acquires the shell, thereby ensuring that the supply of stock is carefully controlled. Their activity is critical to the process. With a restricted supply of stock, only small demand will be required to boost the stock price."

**SELECTION OF TRAVEL HEALTH INSURANCE PROVIDERS**

Manager /Insurer	Deductible	Age					Toll Free
		63	68	73	78	83	
AIG Travel Medical Insurance AIG Assurance/AIG Life Ins. Co.	— #10	634	805	1062	1550	2415	877-565-1997
Association of Mature Canadians Special Benefits Ins. Services/ ETFS/Royal & SunAlliance Insurance Company of Canada	200 US #6	537	665	916	1516	2351	800-667-0429
Blue Cross Travel Insurance Canassurance Hospital Services Association	—	760	964	1217	2145	3218	800-873-2583
CAA South Central Ontario Manulife Financial	—	695	812	1096	1523	2550	800-268-3750
Canadian Snowbird Association Medipac International/Manulife Financial	99 US	553	679	952	1435	2309	888-633-4722
CIBC Travel Medical Insurance CIBC/Co-operators Life Insurance Company	200 US	657	841	1089	1793	3632	800-281-9109
KidsFutures Rewards Ingle International/Imagine Financial-ETFS-Royal & SunAlliance Insurance Company of Canada	— #7	543	672	926	1533	2377	866-728-3988
Manulife Financial Travel Ins. Manulife/Manulife Financial	—	695	1019	1343	2650	3787	800-565-2338
Medipac International Inc. Manulife Financial	99 US	553	679	952	1435	2309	888-633-4722
Medisecure Travel Companion ETFS /Royal & SunAlliance Insurance Co. of Canada	200 US #6	543	672	926	1533	2377	800-268-7603
Sanderson Travel Insurance Inc. Various Insurers	—	660	968	1276	2517	3598	877-226-8728
Scotia Travel Medical Assured Assistance Inc.	—	729	913	1297	2068	4186	866-793-2223
Thomas Cook Emergency/ Travel Health Ins. Pottruff & Smith/Axa Insurance (Canada)	—	486	722	1224	2248	4064	800-263-2356
Tour+Med International ACA Assurance	500 CDN #1	644	823	1174	1940	3344	800-268-9633
TravelCare - HealthSelect RBC Travel Insurance Company	200 US #5	569	721	965	1431	2538	800-387-4357
Travel Health Medical Plan Travel Insurance Specialists/ Allianz Global Risks	200 US #4	515	618	820	1319	2272	800-563-0314
Travellers Choice Medical Ins. Royal & SunAlliance Insurance Company of Canada	200 US #9 #2	602	711	965	1642	2753	800-665-8553


**TRAVEL HEALTH INSURANCE CHART NOTES:**

1. Florida option - 10% discount. Claim free 5%.
  2. Deductible can be waived by adding 10% to premium.
  4. Deductible can be reduced to \$0 by adding \$50 CDN to premium.
  5. \$500 US deductible can reduce rates by 15%.
  6. Includes discounts of 5% for early bird purchases, 3% for loyalty, and 5% for having a travel companion.
  7. Rewards are issued on purchases.
  9. All policies up to age 80 include a 30 day annual plan.
  10. Deductible options available at discounts up to 45%.
- Prices quoted (rounded) are subject to change without notice. Please confirm with the named issuer/carrier to ensure the current price and coverage details. These are not necessarily the "best rates" but a sampling of the coverage available.
- Source: Fiscal Agents, [www.fiscalagents.com](http://www.fiscalagents.com). Data as of August 12, 2006.

**QUICK FACTS**

<b>Money market</b>	<b>09/08/06</b>
Overnight rate	4.2043%
Target for the overnight rate	4.25%
Overnight repo rate (CORRA)	4.2025%
Corporate paper, 1 month	4.32%
Treasury bill, 1 month	3.99%
Bankers' Acceptances, 1 month	4.30%
<b>Interest rates</b>	<b>09/08/06</b>
Prime business rate	6.00%
Conventional mortgage, 5 year	6.95%
<b>Bond yields</b>	<b>09/08/06</b>
GoC marketable bonds, +10 yr	4.37%
GoC benchmark bonds, 3 yr	4.15%
Real return bond, long term	1.69%
Date format = dd/mm/yy	
Source: Bank of Canada	