



Travel Insurance Claim Denials: The Stats Are Out Of The Bag!

Bruce Cappon

A veteran journalist has recently reported that two of Canada's major travel insurers have acknowledged that their primary reason for claim denial is based on the fact that their customers were apparently NOT eligible for the policy they "purchased".

For many years, I've counselled Snowbirds on their extreme vulnerability to the "Misrepresentation Clause" (which I refer to as the "One Strike and You're Out" clause).

These insurers' admissions are incredibly significant. It indicates to me that there's a dire need for added consumer protection measures. Reading the fine print is simply just not good enough. The fine print itself must be reformed. Meanwhile, there are positive steps consumers can take to ensure greater safety and certainty in their choice of travel insurance products.

Consider that travel insurance is typically sold on a "post-claim underwriting" basis meaning that the eligibility for coverage is only determined retrospectively when an insurer is presented with a request to honour payment for what can be extremely substantial medical expenses incurred.

The shock to an honest consumer in learning that a policy has been subsequently unilaterally declared invalid from day one can be financially, physically and emotionally devastating. Let's be very clear here that travel insurance is primarily marketed under a somewhat backward and bizarre process. It is a relatively new method of insurance sales.

The misrepresentation clause is entrenched in case law and regulations providing insurers with unfettered rights to declare a policy null and void where their customers were deemed to have made an erroneous or dishonest statement. The essence of the law is a throw back to the traditional times when an applicant may have been in a

superior position of knowledge with respect to the applicant's medical history. It is the applicant's responsibility, in accordance with the law, to disclose every fact that is material to the acceptance of the coverage.

While I agree wholeheartedly with the concept of post-claim underwriting marketing as it is extraordinarily cost-efficient. On the other hand, it is also my strong opinion that where coverage is determined at the time of claim, the insurers' right to unilaterally declare a policy null and void should be reined in.

Unfortunately A Few Rotten Apples Can Spoil The Bunch:

The insurers, under the current Misrepresentation Clause, download 100% responsibility onto their customers to honestly and accurately respond to and interpret insurers' medical questionnaires.

I'm in the trenches with Snowbirds on a daily basis, the simple reality is that the applicants' accuracy is solely contingent upon the explicit criteria available from the insurers at the time of application. This prerequisite information is sadly lacking in certain instances.

With the "Misrepresentation Clause" looming over your head, it is ludicrous at the time of completion of a travel application, that you (and your doctor) are put in the vicious position of having to second-guess how your insurer may define a pre-existing medical condition at claim time.

With the current imbalance, some insurance providers may be less than transparent in providing essential information to the applicant. Claims can be denied based on what could be deemed "clinically insignificant" by the applicants and their doctors. The only party to the contract fully aware of the interpretation of a medical condition at claim time is the insurance company NOT the insured or his/her doctor.

Therefore, the onus to clearly define the medical questionnaire at application time should fall 100% on the insurer.

Failure to do so should nullify the insurer’s right to declare the policy null and void.

In the past, when insurers were provided with the “Misrepresentation Clause”, it made sense under the traditional underwriting process where there was a more free, thorough and open exchange of information between the applicant and the insurer at the time of application.

For example, now, certain insurers may pose general questions such as “Do you have a bowel disorder?” or they may add “including but not limited to” and mention a few severe conditions. This represents just the tip of the iceberg scenario.

The insured may have answered “No” to one of these broad-based questions thinking that two (2) benign polyps removed in a routine colonoscopy would be irrelevant yet at the time of claim, the insurance provider could very well rule that the correct answer demanded a “yes”. Consequently the claim could be denied for a completely unrelated medical expense such as heart attack, stroke or accident.

I encourage all purchasers to assess the validity of a policy using my travel insurance “Safety Checklist” below. Pay particular attention to the dire need for a “Compassion Clause”.

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TRAVEL INSURANCE CHECKLIST

Perform a safety-check of your out-of-province travel insurance policy. Certain policy clauses could defeat a claim leaving your own assets at risk. Assess the safety of your policy terms/conditions based on the checklist below.



Passed Inspection



Requires Attention

CIRCLE THE APPROPRIATE RESULT

DOES YOUR POLICY CONTAIN THE FOLLOWING?:	RESULTS	COMMENTS
<p>Misrepresentation/Non-Disclosure Clause (“One Strike and You’re Out Clause”) In the event of an inaccuracy (erroneous answer) on the medical questionnaire), does the policy contain a clause whereby the insurer may decline a claim furthermore may void the policy even where the misanswered question may be unrelated to the medical claim while on the trip?</p>		<p>This is by far the most crucial exclusion clause in a travel policy. Does the policy have a “Compassion Clause”? Opt for a policy, which provides eligible insureds with a maximum penalty CAP due to error. “To err is human”.</p>
<p>“Stability Period” for coverage of Pre-Existing Conditions</p>		<p>The stability period required for coverage of pre-existing conditions may be based on your age or risk category. Some policies may exclude conditions under “treatment” even if stability has been achieved. Check your policy for required number of days.</p>
<p>Optional Unstable Pre-Existing Condition Rider</p>		<p>If you have a current unstable condition, or one subsequently develops, is it covered? Most insurers will typically exclude coverage for unstable health conditions. Consider a policy, which offers an optional rider covering unstable conditions. Particularly valuable for annual multi-trip plans where conditions are covered for the year.</p>
<p>Optional “Lock-in” Good Health Rider At Time of Application</p>		<p>Subject to certain limitations, consider adding an innovative rider. Greater certainty is achieved for your travel plans knowing that should a health issue arise between application and departure time, coverage may be available with NO additional cost or exclusion. This rider is particularly important for multi-trip plans where locking health is available over the one year period.</p>

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TRAVEL INSURANCE CHECKLIST *continued...*

DOES YOUR POLICY CONTAIN THE FOLLOWING?:	RESULTS	COMMENTS
<p>Change of Health condition. (“Open Barn Door Clause”) Insurer requires notification should health change between application and departure (effective) date</p>	 	How can you make advanced travel plans with a high degree of certainty if you can't count on your policy covering you on departure? Once changes are reported, most insurers may cancel the policy, revise premium and/or not cover unstable conditions.
<p>“Doctor Clause Declaration” states that you have consulted your doctor for any issues requiring medical clarity when answering the questionnaire.</p>	 	Although your doctor is your best reference for medical information and care, he/she may not understand your travel insurance policy and limitations. A policy without an explicit Doctor Clause Declaration is preferable
<p>“Treatment” Definition. Does your Policy define “Diagnostic/Investigative testing”?</p>	 	Does your policy include a provision re: Diagnostic/Investigative testing whereby ONLY those adverse findings or worsening of the condition would negatively impact your stability for a pre-existing condition?
<p>Extensive List of Exclusions. Activities Considered high risk/hazardous by Insurer.</p>	 	Check policy list to ensure the policy purchased covers activities in which you may engage. The fewer the limitations in a policy, the better.
<p>“Travel Advisory Exclusion”</p>	 	Many policies will limit coverage for travel to locations on Canadian government list of non-recommended destinations. A policy without this exclusion is preferable.
<p>“Failure To Call” Assistance Company in a timely manner.</p>	 	Although it's highly recommended you do call the telephone number of the Assistance company, a policy without this penalty clause is preferable. Also a policy, which permits you the flexibility to choose the doctor/hospital, provides you with greater control of where you may receive optimal medical treatment.