



# One Year After CCIR's Recommendations, Gremlins Are Alive And Well

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**F**or many years, we, at First Rate Insurance have worked tirelessly to share our knowledge with Canadian travellers about the deleterious clauses contained in most travel insurance contracts. In his June and August 2016 Canadian MoneySaver articles, Bruce Cappon likened those clauses to “camouflaged Gremlins”: cute and innocent on the surface but turning ugly and wreaking havoc at claim time. Investing tremendous efforts from 2014 to 2016, Bruce advocated to the Canadian Council of Insurance Regulators (CCIR) for the “Urgent Need for Improved Regulations” leading to this topic being added to their triennial review. After much consulting, the CCIR released their “Issue Paper” in late May 2017 containing many of Bruce’s recommendations encouraging but not mandating insurers to adopt them. One year later, what has changed, if anything?

Our review of ten major travel insurance providers’ applications and policy wordings reveals that they have adopted certain recommendations put forth by the CCIR. Most (but not all) have made their policy wording easily accessible on their websites. Additionally, they have revamped the layout of their written applications to include better warning labels, thus giving the consumer a fair chance to compare benefits, terms and conditions. This is a good step towards transparency especially as major pitfalls remain. These warnings list the instances which would render the contract null and void. We would recommend that you carefully read these applications’ “**Important Notice**” aka “**Important Information**” aka “**Instructions**”, as well as the “**Eligibility**” and “**Exclusions**” sections. Another red flag is contained in the Application’s “**Declaration**” you sign. Read it carefully because this is one of the places where you are potentially agreeing to the coverage becoming void if, for example, you omit to report a change of health (“Change of Health clause”) or if you have made a mistake on the

questionnaire (“Misrepresentation Clause”). All the above provide valuable clues at a glance regarding the potentially punitive conditions of the insurers’ contracts. In some rare cases, this is where you will find options like the “Compassion Clause” to reduce your exposure to a claim being entirely denied.

Overall, we found that most questionnaires still contain many of the “Gremlins” we’ve referred to in previous articles, including the “Time Warp”, “Back to Birth”, “Tip of the Iceberg” to name a few (please refer to Bruce Cappon’s July/August 2016 *Canadian MoneySaver* article: *Beware of Policy Gremlins*). Combined with the Misrepresentation Clause, these will continue to result in entire claims being denied. Another concern we have is the insurers’ unusual “definitions” of terms like “treatment” or “stable”. “Treatment” for example is not limited to medication but also includes any investigative tests or prescribed massage or physiotherapy. Its meaning also include hospitalization, etc. “Stable” is a multi-pronged definition. One of its most deceptive meanings relates to medication alteration. It is particularly confusing and puzzling for consumers and physicians who would not suspect that a pre-existing condition has suddenly become “unstable” (and suddenly excluded from coverage) after reducing or stopping a medication. We wonder if the consumers will still misunderstand or overlook the implication of those meanings on their claim outcome. We are particularly concerned with older travellers or for those whose English is not their first language.

If you are in good health with no unreported change in your medical status (even minor) prior to departure and don’t have a questionnaire to answer, you may have a chance to claim against these lower quality coverages. If on the other hand, you do not fit these restrictive criteria, and have pre-existing conditions, the process continues to be perilous. Below are the treacherous wordings to be

aware of when you shop and their antidotes to hopefully avoid those ugly Gremlins. They are listed in order of damaging effect:

**1. The Misrepresentation Clause** will void your entire contract for a small, inaccurate, honest mistake on the questionnaire, which is often ambiguous and riddled with the insurers “special re-definition” of common terms like “Treatment” and “Stable”. In fact, one insurer was quite candid in their “Important Notice” which reads: “Throughout this policy you will notice that certain terms are brought to your attention in italics... Pay particular attention to these definitions as the Insurer has given a very specific meaning to these terms” Look out for the following wording: “I agree that any false or misleading statement in the making of this application shall render any resulting policy NULL and VOID” OR “all insurance coverage is null and void if... Any material misrepresentation is made on the application...”. Instead select a policy which offers a “Compassion Clause” to “soften” the effect of an honest mistake. as follows:” (this clause ensures your liability is limited to a specific amount as opposed to paying the whole claim): “If you qualify for the coverage selected but you or a representative purchasing insurance on your behalf have failed to answer truthfully and accurately any question asked in the Medical Health Questionnaire, any claim will be subject to an extra deductible of \$15,000 USD in addition to any other applicable deductible amount...”

**2. The Change of Health Clause** will void your entire single trip contract if you fail to call the insurer and report a change of health (even minor) after purchase and before departure. Dangerous wording to avoid: “I agree that any false or misleading statement in the making of this application shall render any resulting policy NULL and VOID. Accordingly, should my health change at any time between the date of this application and my Effective Date of Insurance, I must contact... At that time, it will be determined whether I am still eligible for coverage” OR “If Your health changes at any time between Your Date of Application and Your Effective Date of Insurance, You must contact XYZ... reassessment for Your eligibility and rate qualification is required. Failure to contact XYZ may result in claim denial, or payment of only a portion of the Covered Expenses.”. Instead opt for a policy without any reference to the policy being voided for an unreported Change of Health. Preferred wording would be: “You do not need to call if your

health changes after you purchase your policy. You may choose to call to determine how your coverage is impacted.” This insurer would keep the whole contract in force and only exclude the specific condition which has changed. Furthermore, they offer you a Pre-Existing Condition rider to cover that “unstable” condition if you choose.

**3. The Stability Clause** present in all policies in Canada excludes any pre-existing conditions which become “unstable” (as per the insurer’s definition) within your stability period prior to departure. This clause can leave you in limbo if the contract does not offer a Pre-Existing Condition rider to counteract its effect. Since most claims are triggered by pre-existing conditions, we recommend you look for the following optional rider: “When this Optional Coverage is purchased, the XYZ company will pay up to \$250,000 for the actual, reasonable and customary medical and related expenses for acute, sudden and unexpected emergency sickness or accidents incurred as a result of your pre-existing conditions that were not stable and existed before the date of departure.”

**4. Government Health Insurance Requirement (GHIP)** was recently included into all policies with some insurers adding it to their eligibility section. Eligibility questions and statements are very important as they automatically void the contract if you did not meet their criteria. For example, if you come across the following wording in the “Eligibility” section: “to be eligible, Canadian residents must be insured under a Canadian provincial health insurance plan for the entire duration of their trip”, then the plan can become null and void if your GHIP lapses halfway through your trip. This means any claim would be invalidated. Opt for coverage with this preferred stipulation: “the company will not be liable to provide coverage for... Any eligible medical and related expenses in excess of \$50,000, if you are not covered by a provincial or territorial government health care plan at the time of your claim.” In other words, consider a plan that provides for reduced coverage instead of zero when your GHIP lapses and provides full benefit during the part of your trip covered by GHIP.

In conclusion, we are happy to see insurers have adopted some of the CCIR’s recommendations including better warning labels and availability of their policy wording on their website. Both recommendations have been embraced by most of the insurers assessed. However, with major pitfalls still anchored at the heart

of their contracts (as of the date of this publication) combined with questions which remain vague and broad in nature, many insurers maintain the unilateral right to void coverage retroactively and deny related or unrelated claims. Will the consumer have a better chance to determine the viability of a contract or will they miss the subtle meaning of certain redefined terms? Time will tell. In our view, the onus on the consumers to be accurate has increased with the release of those warnings, which may end up being a double-edged sword. Regrettably, we can only conclude that Gremlins are alive and well in travel insurance policies.

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