



Travel Insurance: Beware Of Policy Gremlins a.k.a. The Fine Print - Part 1

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Policy Gremlins on first reading may appear as innocuous little words. In reality they have the uncanny ability to mask, obscure, and otherwise camouflage their true meaning. They can morph at the time of claim becoming miraculously transparent while shattering an insured's expectation to a right to coverage.

The purpose of this article is to assist travel insurance shoppers in identifying these creatures. Differentiating policies at the point of sale is key to minimizing the risk of a subsequent claim denial.

Generally, policies with a higher concentration of Gremlins, may lower the premium but enhance the risk of being side-swiped by a rescinded policy.

How often have you heard the admonishment to those who bought insurance but ended up footing their own medical bills: "they should have read the fine print". That's not good enough. I subscribe to the three R's principle: Read, Recognize and Run (if need be).

Favourite Gremlin Haunts:

Let's start with the medical questionnaire. This is one of the favourite Gremlins haunts.

The penalty for even a trivial non-eligibility related misrepresentation or inaccuracy with most (but not all) insurers can be as if no coverage was purchased. The consumer will likely be responsible for paying their own medical bills.

Essentially, issuance of a policy/certificate is limited, denoting approval of the consumers' right to pay premiums; whether or not insurance coverage has been in force will be determined in the unlikely event a claim is submitted.

The final word rests with the insurance provider not you and not your physician. It's the insurer who has the sole discretion to determine whether there are grounds to

declare the contract null and void; their customers may have purchased the insurance with the utmost good faith and due diligence. Yet, through no fault of their own, ran afoul of a particular insurer's unclear interpretation of what constitutes a "material misrepresentation".

What's a "Material Fact"?:

"Material fact" is a significant Gremlin phrase, found in both the policy document and in the declaration agreed to by their customer. Its importance may easily be overlooked when bundled in a sentence commencing with: "fraudulent", "dishonest", "untruthful" followed by: "inaccurate", "incomplete" or "failure to disclose a material fact". So what exactly is a "material fact"? Is it precisely defined in the policy definition section? Generally not! Just how likely is it that respondents could be snared by this clause?

Bear in mind that the clause does not state that the policy can be rescinded where the respondent made a statement with reckless regard for the truth or for act(s) of intentional deception.

The Travel Health Insurance Association's (THIA) advice to Canadians to take the purchase of travel insurance very seriously is well founded. The concern I share, particularly among many senior/snowbirds, is whether there is sufficient reciprocal legislation putting the onus on insurers to do likewise. Evidently there is an individual travel Insurance Health survey commissioned by THIA¹ indicating that 18% of respondents have inadvertently provided inaccurate health information on travel Health Insurance forms – something that can void an insurance policy.

Based on my anecdotal experience, I found that this percentage could be as high as 50%, particularly when insurance is purchased online or by telephone with little advice and guidance.

The following are categorized Gremlin-loaded murky medical questions:

The Time Warp Question:

I've found over 50% of respondents could make an inadvertent error on this one...It's a biggy!

Question: In the 5 years (author's note: could be any timeframe) prior to departure, have you been diagnosed, hospitalized, treated with the following medical conditions)...

Answer: The majority of respondents who were originally diagnosed with their medical condition perhaps 6, 10, 20 years or more than the specified 5-year timeframe, would answer "No" to this question even if still being treated in the last 5 years. But the accurate response is "Yes".

I can't count the number of times that I interviewed seasoned Snowbirds who were shocked to learn that they had been misanswering this type of question for years. Fortunately, they had no claim.

- ➔ **Tip:** Even if you were diagnosed over 5 years earlier, if you have been treated (by medication or other means) within the prior 5 years, be sure to answer "Yes".

The Guessing Game Question:

Example:

- Do you have a moderately severe or a severe valve stenosis?
- Do you have a heart condition? Even if, as recommended by the insurer, you would have consulted your doctor in advance, the correct response would be subject to the interpretation by the claims examiner. This particular definition of the "heart condition" included a list of specific heart conditions but added to that list carotid artery occlusion or disorders of the blood vessels. Typically, the latter would be included under cardiovascular conditions not heart.

- ➔ **Tip:** Demand precise definitions of each of the medical conditions, period.

Tip Of The Iceberg Question:

Question: In the last 24 months (author's note: or any other timeframe) have you been treated for any gastro-intestinal conditions including but not limited to: cancer, bowel disorder, Crohn's disease, irritable bowel syndrome?

- ➔ **Tip:** Demand a finite list. Words like "including"

or "but not limited to" or "any" are Gremlin words. You've got to be concerned about the number of hidden conditions that lurk beneath the surface and may only be clarified at the time of claim – that's too late!

Back To Birth Question:

The question may say "ever" or may not even state any timeframe at all, which de facto means "ever" i.e. back to birth!

Question: Have you ever had two of the following three conditions: diabetes, stroke, any heart condition? Note, for the purpose of this medical questionnaire, "ever had" means you have been diagnosed prescribed medication or taken prescription medication for this condition.

- ➔ **Tip:** It's unwise answering this type of question especially if it is linked to very general medical conditions which could be easily overlooked (until in the claim examiner's hands).

The Catch-All, Cast-A-Big-Net Question:

Question: In the last 12 months, have you had surgery or required medical treatment or taken any prescription medication for any other medical condition?

- ➔ **Tip:** You've got to be kidding! What if you neglected to remember you consulted your doctor for a stubbed toe, flu, bronchitis, etc. 10 months ago!

The Numbers Game:

Question: How many medications do you take to treat_____?

- ➔ **Tip:** Heads up! Recently drug companies have manufactured combo/dual meds for treatment of: blood pressure, diabetes, lung disorders, etc. Most consumers would not consider or know how many medications were in a pill. Clarify with the insurer whether they mean number of pills or total meds including dual prescriptions.

What's the solution? Article to be continued in the next edition of *Canadian MoneySaver*.

¹ Report shows that travel health insurance saved Canadians more than \$138 million – THIA – November 25th, 2014 [http://www.thiaonline.com/cgi/page.cgi/article.html/Latest News/Report shows that travel health insurance saved Canadians more than 138 million](http://www.thiaonline.com/cgi/page.cgi/article.html/Latest%20News/Report%20shows%20that%20travel%20health%20insurance%20saved%20Canadians%20more%20than%20138%20million)

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