

**Summary Notes From Initial Teleconference Meeting of Industry Associations Around Proposed
“Pan-Industry Project Group On Travel Insurance”
Tuesday, May 13, 2014, 2:00 to 3:00 p.m.**

Confidential: Not For Distribution

Attendees:

CAFII: John Lewsen, BMO Insurance; Brendan Wycks, Executive Director

CLHIA: Karen Voin, Director, Health and Dental

THiA: John Thain, Assurant Solutions, and President, THiA; David Hartman, Travel Insurance Co-ordinators, a Co-operators Group company, and Past-President, THiA; Alex Bittner, Manulife Financial

Karen Voin of CLHIA served as chair/moderator of this teleconference. She asked Brendan Wycks of CAFII to provide the background as to why CAFII had recently made an outreach to CLHIA – as a precursor to engaging with THiA as well -- about the prospects of forming a pan-industry project group to deal collectively with concerns being expressed by regulators about travel insurance.

Brendan Wycks shared a summary of the notes from recent CAFII liaison discussions with the Canadian Council of Insurance Regulators and the Alberta Insurance Council in which consumer protection concerns were cited with respect to travel insurance. In both of these recent meetings, the regulators encouraged CAFII to take the initiative to engage with other industry stakeholders – namely CLHIA and THiA -- and to take a pan-industry approach to dealing with the concerns.

Mr. Wycks advised that the regulators’ concerns expressed about travel insurance boil down to two major issues:

- Consumers don’t understand what they’re buying because travel insurance application forms and related medical questionnaires that are sometimes required are too complex. Hence, consumers are sometimes dumbfounded and feel hugely offended when their claim may be denied due to failure to report or incorrect reporting of a pre-existing condition, when they feel that they completed the application from honestly and completely. Such claims denial scenarios are often “blow up” when the insured complains to their MLA and the issue is raised with the province’s Minister responsible for the insurance sector; and
- Consumers sometimes have a redundancy of travel insurance coverage – as they have it through their employer’s group plan; through a credit card; and/or may purchase it privately – and the insurance salesperson is not raising and advising the consumer of this possible redundancy. The regulators see this as an issue related to the “Treat the Customer Fairly” imperative embedded in the International Association of Insurance Supervisors’ Insurance Core Principles (ICPs) and as central to market conduct regulation.

Mr. Wycks concluded by advising that the Alberta Insurance Council was very supportive of an approach that would see a multi-partite industry group tackle these issues, which as it had been suggested that the group might include regulator representation from CISRO and/or CCIR.

Karen Voin added that CLHIA has also learned from CCIR that it has some specific concerns related to the “white labeling” of travel insurance.

Karen Voin then asked John Thain, THiA Chair, to outline some recent work that his Association has done related to the regulators’ concerns.

John Thain advised that THiA formed a special committee about a year ago to deal with many of the issues that the regulators have been raising with respect to travel insurance. The committee has been meeting regularly since August 2013, and has broken up into four subgroups. He indicated that the committee’s mandate was to address

- Confusion in medical questionnaires – format, application and questions are perceived as too confusing;
- Pre-existing conditions and stability – concept and industry usage of the terms are inconsistent;
- Lack of advice about products; advice is not available in all distribution channels;
- Consumers want “peace of mind” to know what they are and are not covered for when they travel.

Mr. Thain noted that there was broad representation on THiA’s special committee, including representatives from Medipac, CAA, Travel Insurance Co-ordinators, Avalon Actuarial, and others.

The THiA committee just gave a presentation on the results and recommendations stemming from its work to the THiA membership at the Association’s annual conference a week ago. The THiA membership has been asked to provide feedback on the committee’s report by June 30, 2014. The recommendations are then slated to be finalized at THiA’s AGM in September 2014, with a view to changes being implemented over the course of 2015 for the beginning of the 2016 selling season.

Mr. Thain advised that the work the THiA has already done on addressing many of the regulators’ concerns has definitely raised the visibility and profile of the Association in the regulator community.

In response to a question from John Lewsen, the THiA representatives indicated that both insurers and distributors had been represented on the special committee; that the direct distribution channel had been well-represented; and that one of the recommendations related to advice and a tick-box approach at point-of-sale.

Karen Voin then asked for participants’ views on whether there is an opportunity to build on THiA’s groundwork as a broader industry group?

John Thain said yes, noting that bringing the weight of CLHIA and CAFII to the initiative would bring greater clout for the recommendations with all stakeholders.

David Hartman said yes, noting that – subject to THiA Executive Committee approval in a teleconference taking place two days hence – THiA would be willing to share its already developed resources as a significant headstart for a multi-Association group’s work. He also noted that one of the special committee’s four subgroups is tasked with education, and taking a broader approach to secure pan-industry consensus dovetailed nicely with its objectives.

Alex Bittner said yes, noting that if a joint, pan-industry committee was looked upon favourably by the regulators, then THiA would also support that approach.

John Thain advised that in recent years, THiA had commissioned legal counsel to do an analysis of licensing requirements for travel insurance in the provinces across the country. There is a wide diversity in those requirements, and little uniformity.

David Hartman indicated that he takes issue, to a degree, with the regulator concern about redundancy and duplication of travel insurance coverage, because the industry already deals with that through “co-ordination of benefits.”

In concluding discussion, the representatives of the three Associations participating agreed that there was sufficient common ground and interest to justify proceeding with further discussions about a Multi-Partite Industry Working Group on Travel Insurance, Including Application Forms and Medical Questionnaires.

A subsequent teleconference meeting was set for Thursday, May 22 at 2:00 p.m. Eastern, at which time the THiA representatives would be able to report on the discussion of this proposed initiative with their Association’s Executive Committee.

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Proposed Pan-Industry Travel Insurance Project Group

Stakeholders: Travel Health Insurance Association of Canada (THiA)
Canadian Life and Health Insurance Association (CLHIA)
Canadian Association of Financial Institutions in Insurance (CAFII)

Attendees:

CAFII: John Lewsen, BMO Insurance (for part); Brendan Wycks, Executive Director; Leya Duigu, Administrative Coordinator

CLHIA: Karen Voin, Director, Health and Dental

THiA: John Thain, Assurant Solutions, and President, THiA; Alex Bittner, Manulife Financial

Date: Thursday, May 22, 2014 at 2:00 pm

Location: Conference call

Introductions

- Karen Voin, Director, Health and Dental, CLHIA. Represents CLHIA member companies.
- Brendan, Executive Director, CAFII. Represents CAFII member financial institutions on industry issues.
- John Lewsen is a member of CAFII's Executive Operations Committee; and Chief Compliance Officer at BMO Insurance.
- Leya Duigu, Administrative Coordinator, CAFII and will be supporting the group in a Secretarial capacity by taking notes.
- John Thain, current President of THiA and Director, Inclusive Benefits and Ombudsman at Assurant Solutions. John's term will be ending at THiA's AGM in September 2014 and he will be continuing on for a further year as Past-President.
- Alex Bittner, Director of Broker Specialty, Manulife Financial, specializing in travel insurance. On the Executive ladder to become President of THiA in September 2014.
- David Hartman (absent from this meeting) is currently Immediate Past-President of THiA; and CEO of Travel Insurance Co-ordinators, a Co-operators Group company. Will be stepping off the THiA Executive in September 2014. But has been a key member of THiA's recent task force on travel insurance issues. He indicated on the last call that he is passionate about this issue and would be willing to serve on a pan-industry group beyond September 2014 to achieve broad industry solutions.

This is the second preliminary meeting of this group and, moving forward, an agenda shall be produced in advance of each meeting to help facilitate discussion and allow members to be prepared.

It was noted that Carlos Coutinho, Vice President of Travel Insurance at Orion Insurance, a spinoff from CAA South Central Ontario, is Chair of the THiA's travel insurance task force and can offer this group his expertise on the issues, as requested.

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It was noted that while the three organizations present (CAFII, CLHIA, THiA) represent a broad spectrum of travel insurance underwriters and distributors, this group is potentially missing some companies that are in the business and are not members of any of our organizations. For example, some p&c companies that are likely members of the Insurance Bureau of Canada (IBC) -- such as Royal & Sun Alliance which sell a great deal of travel insurance -- and it would be beneficial, in terms of achieving pan-industry consensus and solutions, to have representation from these companies as well.

Background

Each organization shared the background to their interest in forming this group.

THIA: Over the last few years, THiA has made presentations to regulators, including Manitoba and BC's FICOM; and during these presentations, regulators have voiced their concerns with respect to travel insurance. It was noted that Harry James' (BC) concerns were related to third party administrators and white labelling of travel insurance, rather than with the quality or customer service issues behind the product.

Also in two consecutive recent THiA Annual Conferences, regulators have presented to THiA members (AB/BC one year; ON/QC the next) and in both cases expressed concerns about travel insurance in their remarks.

The THiA Executive felt that if nothing was done, then regulators may feel forced to take regulatory action. With that as a regulatory context, THiA decided to form a task force of senior representatives from member companies with an interest in travel insurance.

In addition, THiA has a Regulatory Affairs Committee chaired by Richard Ollier of Allianz which has had some involvement in these matters.

CAFII: Over the last year, CAFII has met with regulators from CCIR and the Alberta Insurance Council who echoed the comments that THiA has heard from regulators. There is a high degree of consistency in what regulators have been saying to each group.

CLHIA: Similar to THiA and CAFII, CLHIA has also received the same messaging from regulators about travel insurance. CLHIA has identified as an ongoing objective on the 2014-15 Strategic Plan to identify areas for greater standardization and clearer language on medical questionnaires to help reduce confusion in the marketplace. Therefore, the outreach from CAFII about forming a pan-industry project group was seen as timely and the right thing to do.

Follow-up Actions since Initial Teleconference Meeting on May 13, 014

- THiA. The THiA Executive met on May 15 and approval was secured for the Association to participate in the proposed pan-industry project group and for the work already conducted by the Association's task force to be shared.
- CAFII. Brendan Wycks provided a written summary of the concerns about travel insurance that had been expressed by CCIR and the Alberta Insurance Council.

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Purpose of Today's Meeting

It was confirmed that all three Associations are prepared to proceed with further planning discussions about forming a pan-industry project group. It was agreed that the next steps are to establish terms of reference including scope, governance, group size, additional industry representation (companies and regulators), and sourcing subject matter expertise if necessary.

Karen Voin has a CLHIA meeting on travel coming up on May 29 and would like to be in a position to share a preliminary report about this initiative then.

It was agreed that it would be ideal for the group to develop some Key Messages on what this group is all about so that each Association is communicating a consistent message to its respective members.

Karen Voin offered to prepare a Key Messages one-pager about the proposed formation of this pan-industry working group, and to circulate it to the representatives from the other two Associations by mid-day on May 26.

Representation

It was suggested and agreed that to establish a manageable and effective project group, each Association should appoint a minimum of two and a maximum of three representatives to serve on it. In addition, other Association representatives could be invited to visit and participate in a particular meeting on an ad hoc basis, based on their expertise.

While this is very much a pan-industry, multi-partite initiative, a Chair should be identified who can prepare the agendas and manage the meetings.

Karen Voin offered to chair the pan-industry project group, as CLHIA's primary representative, which THiA and CAFII accepted.

Brendan Wycks noted that CAFII would assist in the management and administration of the group, through the services (meeting notes, etc.) of Leya Duigu, Administrative Co-ordinator.

Additional Stakeholder Representation

Members discussed representation from members of CCIR and CISRO. As a first step, it was agreed that the group should meet again to agree on their terms of reference; and during that meeting, we can determine if CCIR and/or CISRO should be invited to appoint participants; how this should be done; and the scope and purpose of their participation. There was agreement that there would be value in regulator participation but we should be clear about their role.

Brendan Wycks advised that the notion of CCIR and/or CISRO participation on such a group was raised in CAFII's recent meeting with the Alberta Insurance Council. The idea received a favourable response from the regulator, but no commitments were made on this.

During a more recent liaison discussion with Carolyn Rogers, CCIR Chair, she indicated that if the pan-industry group does come to fruition, then it could well serve as the forum/vehicle for addressing CCIR's

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regulatory concerns about the white labelling of travel insurance and related issues which will be included in CCIR's 2014-17 Strategic Plan.

Areas of Concern/Consideration

- Application Forms and Medical Questionnaires
- Informing consumers of possible redundancy of travel insurance protection (employer group plans; credit card coverage; and privately purchased travel insurance)
- White labelling of travel insurance. The regulators' key concern is that travellers don't know who to call when there is an issue.

Action Items from this Meeting

- Karen to circulate Key Messages for review/edits by the group on Monday, May 26. THIA, CLHIA and CAFII shall communicate these key points to their respective memberships regarding this initiative.
- A comparison of each Associations' membership to be performed in order to help identify gaps in representation on the pan-industry group vis a vis the Canadian universe of travel insurance underwriters and distributors.

Next Meeting

Date: Friday, June 20, 2014 from 11:30 to 1:30 pm
Location: Manulife Financial, 2 Queen Street West, Toronto, ON

Preparation: Each Association to bring an inventory of material/work that has been done on this to date including papers, research, and consumer brochures (THIA, CLHIA). THIA has done some work already and CLHIA has published Guideline G9 (direct marketing) and G5 (Travel Insurance).

Karen to circulate a proposed agenda for agreement in advance of this meeting.

Committee Development Objective

- Confusion in medical questionnaires – format, application and actual questions are perceived as too confusing
- Pre-existing and Stability – notion and industry usage of the terms are inconsistent
- Lack of advice about products, advice is not available in all distribution channels
- People want “peace of mind” to know what they are and are not covered for when they travel

Guidelines for Best Practices for Medical Questionnaires/Applications

1. Before starting the application, include strong warning at the beginning of the application. Warning should be separate from other declarations typically found at the end of the application for medical records. Warning upfront should include checkbox for acknowledgement and contain:
 - (a) Consequences for change in medication/medical condition between application date and departure date – at a minimum, application should include a warning that agent/advisor/insurer should be notified if there is **any change** (any change to be **bold and underlined**)
 - (b) warning disclosure should contain consequences for non-disclosure and require sign off or acknowledgement that disclosure were read and understood including:
 - (c) warning of a pre-existing conditions may not be covered or is subject to stability period required for coverage
 - (d) warning indicating that medical records may be reviewed at time of claim

Con't...

2. Keep eligibility questions separate from rating questions, check box for eligibility
3. If medical terms are used, provide layman terms in brackets
4. Wherever possible, include a box for each condition rather than grouping conditions into a single question – preference by the vast majority of the group was to include yes/no boxes (ie. Not just the yes box)
5. Definitions for Stable, Treatment and Pre-existing should be consistent in the industry
6. Avoid fine print, medical questions should be readable

What we did not agree on...

- Minimum font size ie. 9 or 10
- Medical questionnaire completed by a “bona fide” doctor would not result in claim denial
- We did not look at detailed policy wording or exclusions

Recommended Minimum Definitions

Stable

Best Practice to be considered stable should include:

- no change in medication
- no medical attention/treatment
- no new symptoms

Potential carve-outs to stability include:

- No restrictions for minor ailments

Medication changes does not include brand to generic, self-regulating insulin levels (blood thinners for self-management/regulation)

Treatment

THiA approved definition:

- treatment, treat or treated: means a medical, therapeutic or diagnostic procedure prescribed, performed or recommended by a physician, including but not limited to prescribed medication, investigative testing or surgery

Con't...

Pre-existing

Any medical condition that exists before your effective date,
as described in your policy

Potential carve-out to pre-existing

- minor ailment

Lack of Advice

Best Practice recommendations:

- 1) Ensure that all channels have a 1-800 customer support line available for pre and post sale customer information and advice.
- 2) Underwriters should provide an agent support/help desk to assist in clarifying risk or underwriting questions.
- 3) Have a defined disclaimer process as part of the application and ensure that customers acknowledge that they understand the policy limitations.
- 4) Create ongoing Insurance Agent underwriting and product training programs to support continuous learning and product update support.
- 5) Have inventory of the THIA customer brochure to provide additional customer reference materials

People want “peace of mind”

Best practice recommendation:

- 1) Re-enforce the Read your policy guidelines to all consumers.
- 2) Highlight policy exclusions and limitations such as parasailing, scuba diving etc.

What we did not agree on ...

1. Our role in providing information and links on travel advisories or sanctions.

Next...

- April 2014 – hold meeting at THiA conference to communicate recommendations
- Recommendation to be posted to member site
- Feedback by June 30th to Carlos or David
- Finalize recommendation at September 2014 AGM
- 2015 implement changes for beginning of 2016 selling season