

**BC Edition**

# SELLING TRAVEL INSURANCE

Study Manual  
For Travel Counsellors  
Selling  
Travel Insurance Products  
In Canada



Association of Canadian Travel Agencies  
Association canadienne des agences de voyages

*Your Passport to Success!*

# **Selling Travel Insurance**

*Study manual for Travel Counsellors selling  
travel insurance products in Canada*

**BC Edition**



Association of Canadian Travel Agencies  
Association canadienne des agences de voyages

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**2004-2013**

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## About this manual

This manual was created to help you:

- ✓ Correctly sell travel insurance,
- ✓ Obtain the knowledge needed to pass the insurance exam,
- ✓ To increase your knowledge of travel insurance so that you better serve your clients.

At the beginning of each chapter in this study manual you will find key terms that will be used. These key words will help you understand key elements of the chapter.

Each chapter is divided into three (3) sections:

***Subject***

***Activity***

***Review Questions***

The ***Subject*** section will discuss the insurance concepts and topics such as, The Need for Insurance, Classes of Insurance and Selling Travel Insurance.

At the end of some of the chapters you will be asked to do an ***Activity***. This section is designed to help you apply the knowledge you have gained after reading the chapter. These activities are based on the internet: insurance information found in the insurer material or web pages, and the policies of your company. The contents of these activities will not be covered in the exam.

At the conclusion of each chapter there will be ***Review Questions*** in a True or False format. These questions will help prepare you for the exam.

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## Study Tips

**Travel Counsellors writing the exam for the first time will probably need to read the entire manual. Dedicate some time to concentrate and focus on the material.**

- Plan how much time you have to prepare for the Exam
- Divide the manual into Chapters or sub-chapters and set a goal to study one section every day until you complete the Manual
- Write down areas that you feel uncertain about-or areas that you feel you will need to spend time reviewing before the exam, so you can go back to those areas at the end
- Complete the activities in each section, as well as the True/False quizzes, as this will better prepare you for the exam
- Remember that the purpose of the exam is to ensure you have a good understanding of the material so you can sell travel insurance, accurately, comfortably and competently to your clients, as well as answer questions they may have. The bottom line is that the client has needs--you are being tested on your ability to fulfill those needs. The purpose of the exam is NOT to try to trip you up with trick questions.



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John Brouwer, CTC  
Vancouver, BC  
May 2004



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## Preface

In this manual you will be introduced to:

- an explanation of the need for travel insurance
- how the travel insurance industry is structured in Canada
- the types of distribution models
- the people, the key elements and the classes of insurance
- travel insurance products
- the regulatory bodies for insurance
- the selling of travel insurance products
- policies, services and claims
- terminology and resources for insurance
- all the information you will need to write and pass the BC Insurance Exam

Travel insurance responds to the need of travellers to protect themselves from the many things that can occur before and during a trip, whether it is at home or abroad. What happens if you become ill before the trip? A family member becomes ill and you have to cancel? What if your luggage is lost or delayed? What if the flight is delayed and you have to spend money for meals and hotel? What if you become ill during the course of your travels? You may need to be flown home by air ambulance or a family member must fly to another country to assist you? The availability of travel insurance responds to these concerns and adds some comfort to the traveller.

Travel insurance is defined as

- a) insurance against loss or damage that is incurred by the insured during or in conjunction with travel, or
- b) insurance against loss or damage occurring because of cancellation of travel arrangements.

Insurance is a product that provides peace of mind against the uncertainty of potentially large financial losses, and all for the payment of a relatively small monetary premium. Insurance applies to potential future losses arising from unavoidable risks that occur naturally in the course of business and personal life such as fire, accident, theft, disease and untimely death. The terminology that

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insurance companies use: the **risks** covered, the details regarding **conditions** and **exclusions**, can all be very confusing to travellers.

The **agent** selling the insurance has the responsibility to advise/**disclose** accurate and correct information to the client concerning the key elements of the insurance policy that is being purchased. Depending on the type of coverage sold, this would include: risks covered, conditions of coverage, exclusions, and benefits. The **client** or **insured** has the responsibility to provide honest information concerning them that would affect the conditions of this policy.

Remember these **key elements** when selling travel insurance:

- ✓ Pre-Existing Condition of the insured and how this effects exclusions,
- ✓ When does the policy need to be issued,
- ✓ Presenting the policy terms and conditions as soon as possible,
- ✓ When should notice be given when cancelling and the consequences,
- ✓ Calling the assistance line, circumstances when and when not to use this service.

The law regarding how to collect and maintain client personal information has changed recently. Amended regulations for the protection of personal information came into effective January 01, 2004. The Privacy Act (officially referred to as PIPEDA (Personal Information Protection and Electronic Documents Act) covers the collection, use or disclosure of personal information by businesses. Careful attention must be paid to privacy rules outlined by 1) federal regulations, 2) provincial regulations, 3) travel industry policies & 4) agency policy. For privacy information, please refer to <http://acta.ca/privacy>

This study manual was developed to explain all the details about travel insurance and will help the travel counsellor to better understand the insurance industry, your role in selling travel insurance and the responsibilities of your client, the insured. It will explain the benefits you can provide your clients once you acquire a thorough knowledge of travel insurance features, as well as an understanding of how the travel insurance industry works. Many travel counsellors have been selling travel insurance for years. You understand how complex, yet straightforward, selling travel insurance and submitting insurance claims can be. We hope you enjoy this study manual as you gain-new or renewed insight into the provision of travel insurance to your travelling clients.

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Activity:

If you are planning on writing the insurance exam prepare a schedule for yourself. Plan the following:

When will you write the exam?

How much time do I have to prepare now that I have selected a date?

How can I best use my time in preparing for the exam?

What resources do I have to help me prepare for the exam?

Manage your time to prepare for the travel insurance exam.

Questions:

- |   |          |          |
|---|----------|----------|
| 1. Travel insurance responds to the need of travellers to protect themselves from the risks that can occur before and during a trip, whether it is at home or abroad.   | <b>T</b> | <b>F</b> |
| 2. Insurance is a product that provides peace of mind against the uncertainty of potentially large financial losses, and all for the payment of a premium   | <b>T</b> | <b>F</b> |
| 3. This manual was created to help you understand and correctly sell travel insurance.  | <b>T</b> | <b>F</b> |
| 4. Travel Insurance can be defined as insurance against loss, damage, injury or expense caused by accident, injury, sickness, theft, cancellation or interruption of travel arrangements or other events or perils arising during or in connection with travel or intended travel by an insured person. | <b>T</b> | <b>F</b> |
| 5. Maintaining customer confidentiality must be seen as a part of the usual business practice by all salespersons employed by and representing themselves as licensed agents.   | <b>T</b> | <b>F</b> |
| 6. All information pertaining to the client's insurance coverage must be held in strict confidence  | <b>T</b> | <b>F</b> |

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## The Need for Insurance

- Key Terms
- Insurance
  - Risk: Personal, Property, and Liability
  - Premiums
  - Policy
  - Negligence
  - Consideration

### Insurance

Insurance is a contract in which one party, the **insurer**, for monetary **consideration** agrees to reimburse another, **the insured, for loss or liability for a loss** on a defined subject caused by specified hazards or perils. Insurance is purchased to help plan for unknown events that might occur. These events, known as **risks**, must involve some financial loss to an individual or company. Insurance would protect the individual or company from this loss, in exchange for a small payment, known as a **premium**. The individual or company must abide by the conditions of the contract, known as the **policy**. Three main categories of risk are: Personal, Property and Liability.

### Risk Categories

Personal Risk is an incident or event that affects an individual physically, including loss of life, illness, or disability.

Property Risk is an incident or event that affects direct or indirect loss to personal or real property and possessions, due to theft, fire, high wind, floods, earthquakes, damage, loss, cancellation of trip, default of supplier or other situations that are beyond the control of an individual.

Liability Risk is an incident or event that involves loss from **negligence** resulting from bodily harm or property damage.

### Examples:

Event/Risk	Category
A) Repair house after a tree falls through the roof	Property
B) Medical treatment for cuts on your feet received while snorkelling in the Bahamas	Personal
C) Civil action (being sued) due to a motor vehicle accident you caused	Liability

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## The Need for Travel Insurance

Most travel agencies sell travel insurance as part of a range of travel-related products they offer their clients. It has become an essential part of what the travel counsellor offers a client, as the risks involved in travelling today may include:

- ✓ Accidents
- ✓ Sickness
- ✓ Death
- ✓ Fire
- ✓ Flight Delay
- ✓ Default of Travel Supplier
- ✓ Rental Car damage or theft
- ✓ Theft
- ✓ Baggage Delays
- ✓ Family Loss
- ✓ Trip Cancellation
- ✓ Loss of Baggage
- ✓ World Events

In most cases, insurance reduces or eliminates financial loss from these risks.

Insurance cannot prevent an event from happening but it does give the insured peace of mind. The enjoyment of the vacation or trip is enhanced through the availability of travel insurance.

Insurance is optional. It is the travel counsellor who must clearly outline and explain the risks that can occur based on the type of travel or type of package purchased. They must offer the most suitable travel insurance plan that meets the client's needs. The goal of the travel counsellor is to provide the client with a worry free trip. Insurance plays an important role in making this happen.

## RBC Insurance Study<sup>1</sup>

RBC Insurance recently released these findings about travel insurance entitled:

### **MOST CANADIANS BELIEVE TRAVEL INSURANCE BRINGS PEACE OF MIND, RBC INSURANCE STUDY SHOWS**

Many feel travel insurance is worth the cost

**MISSISSAUGA, October 15, 2003** — An RBC Insurance/Ipsos-Reid study shows that while 84 per cent of Canadians believe buying travel insurance is worth the cost for their peace of mind on their vacation, only 60 per cent of people who travelled outside Canada or the U.S. in the past three years actually purchased travel insurance.

“Emergencies can happen at any time, even to the well-prepared traveller,” said Stan Seggie, president and CEO of the travel insurance division of RBC Insurance. “Travel insurance is designed to provide coverage for everything from trip cancellation and interruption to emergency medical assistance and

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<sup>1</sup> Reprinted from “CITC Update” magazine, Vol. 25, Jan 2004

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baggage loss. It can really help ensure one bad experience does not ruin your trip or leave you with extensive unforeseen costs to cover.”

According to the Conference Board of Canada, spending on outbound travel by Canadians is expected to be about C\$18.9 billion in 2003. World events such as SARS, the war in Iraq, and the ongoing threat of terrorism make travel insurance a larger part of the trip planning process. In fact, 84 per cent of Canadians say it is important to be offered the option to purchase travel insurance at the point of sale when booking a trip.

“The cost of insurance is minimal compared to the cost of emergency medical treatment while travelling,” said David Redekop, principal research associate with the Conference Board of Canada. “Neglecting to purchase travel insurance before heading out on a trip is akin to neglecting one’s own health or safety.”

The survey results also point to some costly misconceptions about the coverage of provincial and employee health plans. These plans typically provide limited coverage for medical treatment and hospital costs outside a person’s home province or territory. However, 20 per cent of Canadians believe provincial plans cover 100 per cent of their medical expenses, and/or employee health plans should they have a medical emergency while travelling outside of Canada or the U.S.

“If you have an emergency in a foreign country you want the security of calling someone who can help you – and this is where the emergency assistance component of travel insurance comes in,” Seggie said. “We’ve seen many international cases where a traveller has had some kind of medical emergency that required being taken by air ambulance to the nearest hospital and that kind of treatment can easily run into the tens of thousands of dollars.”

Other key findings from the RBC Insurance survey are:

- Women are more likely than men (71 per cent vs. 63 per cent) to agree that an accident can happen to anyone, even during a short business or recreational trip, so they always purchase travel insurance.
- Women are more likely to agree that buying travel insurance is worth the cost to have peace of mind on a vacation than are men (88 per cent vs. 80 per cent).
- Women are also more likely to say it’s ‘very important’ that travel insurance is offered when booking a trip (89 per cent vs. 77 per cent).
- Residents of Quebec (89 per cent) are more likely to agree travel insurance is worth the cost to have peace of mind than those from British Columbia (77 per cent).

Note: These are the findings of an RBC Insurance/Ipsos-Reid survey conducted between August 26<sup>th</sup> and August 28<sup>th</sup>, 2003. The poll is based on a randomly selected sample of 1,000 adult Canadians. With a sample of this size, the results are considered accurate to within ±3.1 percentage points, 19 times out of 20, of what they would have been had the entire adult Canadian population been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population. These data were statistically weighted to ensure the sample’s regional and age/sex composition reflects that of the actual Canadian population according to the 2001 Census data.



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Activity:

Indicate what Risk Category each product would fall under:

Product	Risk Category
Death	_____
Default of Travel Supplier	_____
Flight Delay	_____
Loss of Baggage	_____
Rental Car damage or theft	_____
Sickness	_____
Trip Cancellation	_____

Questions:

1. Three categories of Risk are: Property, Liability & Personal      **T**      **F**
2. Liability Risk can be best described as an unforeseen event that involves losses from negligence that results in bodily harm or property damage.      **T**      **F**
3. Rather than prevent an event from happening, insurance gives the insured peace of mind.      **T**      **F**
4. Insurance is coverage for unknown events that might occur.      **T**      **F**
5. Personal Risk would include coverage of a camera that is lost or stolen while on vacation in Hawaii.      **T**      **F**

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## Insurance Industry People

- Key Terms:
- Insured
  - Actuary
  - Insurer
  - Auditor
  - Insurance Agent
  - Broker
  - Examiners/Claims Handlers
  - Intermediary
  - Underwriter

### Industry Personnel

Each individual connected with the buying or selling of insurance can be identified with a legal description.

#### **Insured**

This could be an individual, family, travelling companion or any person or business that needs protection against any financial loss.

#### **Insurer**

This is the insurance company that agrees or offers to undertake the contract of insurance.

#### **Insurance Agent**

An individual, such as a travel counsellor, who solicits, obtains or takes an application for insurance, or negotiates for or procures insurance, or signs or delivers a policy, or collects or receives a premium for insurance. An agent is also known as an **intermediary**.

The insurance company will collect data on how many claims are made for all types of insurance. An Actuary will "crunch" or analyze these numbers to match types of claims with frequency of claims, with the circumstances from which the claims arose etc, so that insurance premiums can be set, and policy inclusion and exclusions can be determined.

#### **Actuary**

One who specializes in the mathematics of insurance: analyzing statistics, such as, mortality rates, that can help insurers make appropriate business decisions.

#### **Auditor**

One authorized to examine and verify accounts. Insurers are required to maintain annual audits of their financial and statistical statements.

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**Claims handler/examiner**

An employee of the insurance company who looks after your claim and is overseen by a claims manager.

**Underwriter**

This could be either an employee of the insurance company who decides whether or not the company should accept a particular risk or a term referring to the company providing insurance. For example: "Company XYZ is the underwriter of that insurance policy."

Activity:

Name the people in your office or preferred travel insurance provider that match the titles.

<b>Title</b>	<b>Company or Individuals Name</b>
Insurer	
Intermediary	
Insurance Agent	

Questions:

1. The insurer is an individual who purchases insurance. **T F**
2. A travel counsellor can also be known as an insurance agent. **T F**
3. An claims examiner is someone who will prepare and monitor exams **T F**
4. Auditors are authorized to examine and verify accounts of insurance companies. **T F**
5. An insurance company underwrites insurance policies. **T F**
6. The legal description of an individual or family that applies for travel insurance is "the insured". **T F**

---

## Essential Elements of Insurance:

- Key terms
- Insurance Contract
  - Consideration
  - Indemnify
  - Insurable Interest
  - Legal Capacity of the Parties to the Contract
  - Legality of Object
  - Material Fact
  - Offer and Acceptance
  - Utmost Good Faith

The travel insurance business includes the following elements:

- a) undertaking or offering to undertake to indemnify (to provide compensation for loss or expenses incurred) another person against loss or liability for loss in respect of a certain risk or peril to which the object of the insurance may be exposed,
- b) soliciting or accepting any risk,
- c) soliciting of an application for a contract of insurance,
- d) issuing or delivering of a receipt for any contract of insurance, or contract of insurance itself,
- e) consideration of any premium or payment,
- f) collecting or receiving of any premium for a contract of insurance,
- g) adjusting of any loss covered by a contract of insurance, or
- h) advertising for any business described in (a) to (g). above.

### Insurance Contract

Insurance policies are a form of contract, subject to the usual rules of contract law with the addition of “insurable interest” and “utmost good faith”. Below is a list and explanation of what are considered to be the essential elements of insurance.

### Consideration

The premium (fee) charged by the insurer and an inducement (reason) for entering the contract.

### Insurable Interest

An interest that the insured must have in the subject matter of the insurance they buy so that in the event an incident occurs which the insured has purchased coverage, the insured will suffer a monetary loss. For Example: a traveller has an insurable interest in his non-refundable pre-paid travel arrangements and may insure against loss of these arrangements due to delay caused by sickness of a family member or travelling companion.

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### **Legal Capacity of the Parties to the Contract**

To affect a valid insurance policy, both the insured and the insurer must be competent to enter a contract. Two areas of concern are minors and the mentally incompetent. While a minor can contract for the necessities of life, insurance is not considered such a necessity.

### **Legality of Object**

The insured's need for insurance must be derived from a legal purpose such as business or vacation plans. If an individual does not have a legal purpose, (eg, the individual engages in smuggling or theft) then any travel accident insurance purchased would be void.

### **Material Fact**

This is information to the contract of insurance that is important enough to change the agreement between the insurer and the insured. Material facts must be disclosed if asked about.

Non-disclosure, failure to disclose, may result in a voiding of the policy involved. For example: A client may be under a doctor's care for an unstable condition. It is the responsibility of the insurance agent to discover or make the client aware of exclusions related to this situation.

An insurance agent must be aware that any misrepresentation by a client to material fact could also void the policy. Misrepresentation can be innocent, arising from an oversight. Fraudulent misrepresentation is a deliberate untruth with intent to deceive, or it can be the result of extreme carelessness where a statement is made without regard to whether it is true or false. When a misrepresentation is discovered, the insurer may either continue the contract or treat the contract as void with a full return of any premiums paid.

For example: A client is under a doctor's care for an unstable condition. You, as the insurance agent, mention that unstable conditions are excluded from emergency hospital medical insurance. Your client lies to you by stating that this would not affect them.

### **Offer and Acceptance**

The parties to an insurance contract, or policy, are the insured and the insurer. There must be a definite offer by one party and an equally definite acceptance by the other. In travel insurance, the insurer normally provides the travel counsellor with authority to accept applications, bind coverage and issue policies. The travel counsellor's authority may have restrictions in that certain applications must be referred to the insurer for review and acceptance or declination. For example: an applicant may be older than their stated age, or an applicant's medical history is uncertain.

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If, however, you offer insurance to a client who refuses that insurance, then a signed and witnessed waiver of offer and decline should be obtained. This protects you, the agent and agency, plus the client. Your client is indicating that they are aware of all risks yet do not see the value in purchasing insurance.

### **Utmost Good Faith**

All insurance contracts require the highest standard of integrity from both the insured and the insurer. Both parties to the contract are bound to exercise good faith and do so by a full disclosure of all information material to the proposed contract. For example: an applicant for emergency 'excess out- of- Province hospital and medical insurance, if asked, must disclose their medical history.

Activity:

Identify services or products that would require a signed contract.

Questions:

- |  |          |          |
|--|----------|----------|
| 1. Insurance policies are a form of contract, subject to the usual rules of contract law.  | <b>T</b> | <b>F</b> |
| 2. Consideration can be defined as allowing the insured 24 hours to carefully think about purchasing insurance                                       | <b>T</b> | <b>F</b> |
| 3. A traveller has an insurable interest in his non-refundable pre-paid travel arrangements  | <b>T</b> | <b>F</b> |
| 4. The insurance term Material Facts means that information affecting a policy must be disclosed if asked about.                                     | <b>T</b> | <b>F</b> |
| 5. In travel insurance, the insurer normally provides the travel counsellor with authority to accept applications, bind coverage and issue policies. | <b>T</b> | <b>F</b> |
| 6. If an insurance agent offers insurance to a client that has been refused, a signed and witnessed waiver of offer and decline should be obtained.  | <b>T</b> | <b>F</b> |

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## Insurance Business

- Key Terms:
- Law of Large Numbers
  - Insurability
  - Premium Calculation
  - Classification of Risks
  - Risk Selection
  - Underwriting Results
  - Premium and Claims Reserve

The insurance industry has, for the past four centuries, collected data to calculate premiums vs. claims to equal profit. Astronomer Edmond Halley, in 1693, constructed the first mortality table, based on the statistical laws of mortality and compound interest. The table was corrected by Joseph Dodson (1756), which made it possible to scale the premium rate to specific age groups.

### The Law of Large Numbers

This is the mathematics of probability that state that the degree of uncertainty is reduced as the number of events increase. For example: The more often claims are made for a specific coverage, such as emergency hospital medical, the better insurers are able to predict under what circumstances and with what frequency, a claim of this nature will be made.

Insurance is built on this premise, permitting forecasts of loss certainty in a large group of similar risks. It is impossible to predict which individual travellers will be injured on their journeys, but the experience of a large number of travellers will indicate what percentage of them are likely to be injured on their journeys.

### Insurability

Certain characteristics must be present before an insurance program can be established:

A large group of similar exposure units must be involved, e.g. thousands of Canadians travel abroad, forming a large group of similar exposure units for travel insurance. This is called "**spread of risk**".

Losses that occur must be readily identifiable and difficult to fraudulently simulate. Trip interruption insurance covers the specified events of injury, sickness, death or quarantine of the insured, a travelling companion or a member of their immediate families. These events are readily identifiable and difficult to fraudulently simulate.

Individual losses must occur unexpectedly, e.g. trip interruption insurance covers injury, sickness, death and quarantine which are unexpected happenings but excludes losses caused by or resulting from any elective

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non-emergency medical treatment or surgery, as such would be planned or intended and therefore, expected.

The potential loss must be great enough to cause hardship, if uninsured.  
Being stranded in a foreign country is sufficient loss to cause hardship, if uninsured, and therefore it is a sufficient risk to justify the sale of trip interruption insurance.

The premium rates must be calculable from statistics or experience.  
Travel insurance rates are calculated both from generally available statistics and individual insurers' own claims experience.

The premiums must be affordable, or no one will purchase the coverage.  
Travel insurance premiums have remained affordable, but as Provincial Government hospital and medical plans pay less and less of American hospitalization charges, premiums for senior citizens for emergency 'excess out of Province hospital and medical insurance' have risen sharply and may go higher.

Only a few of those insured must be likely to suffer loss at the same time.  
Accordingly, trip interruption insurance excludes loss or damage caused by or resulting from war, invasion, or civil war that could injure large numbers of insured travellers at the same time.

### **Insurer Premium Calculation**

The average cost of insurance can be calculated by comparing the total premiums received in a year, with the total payout during the same time period. The premiums of all policies are "pooled" into a protected fund with the insurer to cover any claims. (see Premiums & Claims Reserves)

Premiums are calculated by adding together:

- (1) this average cost,
- (2) the insurer's claims adjustment expenses,
- (3) the insurer's costs to issue and administer the insurance policies,
- (4) the insurer's acquisition costs for such expenses as agents' commission and Provincial premium tax,
- (5) estimated investment income on the money generated,
- (6) reinsurance cost and,
- (7) an allowance for the insurer's profit.

### **Classification of Risks**

Further classifications to Personal, Property and Liability include province of residence, age of the insured, length of trip and destination. For examples Canadians travelling abroad have different exposures to hospital and medical expenses. The various Provinces do not contribute equally towards these expenses. Elderly travellers tend to suffer sickness more than young travellers. The longer the insured is on a trip, the greater the likelihood of being exposed to



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sickness. Plus the Hospital and Medical costs are much higher in America than in Europe.

### **Risk Selection**

Some Canadians travelling abroad have very high exposure to potential hospital and medical expenses. For example: those of advanced age, those pregnant and within the last few weeks of expected delivery date, or those who have recently undergone medical treatment.

Insurers may elect to avoid insuring high risk travellers:

- (1) by setting restrictive eligibility criteria, for example-no applicants accepted who are
  - a) over age 75, or
  - b) have been diagnosed with an illness or injury
- (2) by restricting the policy coverage, e.g.
  - (a) no coverage for expenses arising from the complications of pregnancy within the last 8 weeks before the expected delivery date, or
  - (b) no coverage for expenses arising from any condition which requires medical advice or treatment within 90 days of commencement of the trip.

In cases where the eligibility of travellers for insurance is not clear, the agent refers applications to the insurer for underwriting. The underwriter is an individual working for an insurer whose responsibility is to accept or reject business in the particular line in which he or she specializes, and in this way chooses risks his or her principals are prepared to insure. Sometimes the application will be accepted at a surcharged premium.

### **Underwriting Results**

Should claims exceed anticipated levels, the insurer loses money instead of making his projected profit, e.g. typical reasons for unexpected high claims for out of Province hospital and medical insurance include:

- (1) the Province unilaterally reduces the amount it will pay for out of country hospitalization,
- (2) travel patterns change and more insured's travel to destinations with expensive hospitals,
- (3) hospitals increase their fee schedules more than anticipated, and
- (4) cost associated with currency exchange rates.

Insurers react by:

- raising premiums,
- restricting coverage,
- being more selective of applicants,
- reducing agents' commission,
- withdrawing from one or more Provinces, or
- stop underwriting that class of business.

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### **Premium and Claims Reserves**

An insurer promises to pay future claims after a policy has been issued and the premium paid for. To ensure that there will be money available for these claims, insurers are required to establish reserves or pool funds that are set aside for the purpose of meeting these obligations if and when needed. This includes:

- (1) premiums for active policies issued that have not expired and
- (2) the estimated costs of unpaid claims.

Questions:

- |   |          |          |
|---|----------|----------|
| 1. Insurance is built on the law of large numbers, permitting forecasts of loss certainty in a large group of similar risks.  | <b>T</b> | <b>F</b> |
| 2. The premiums of all policies are “pooled” into a protected fund in the travel agency with the insurance agent to cover any claims.   | <b>T</b> | <b>F</b> |
| 3. Those of advanced age, pregnant and within the last few weeks of expected delivery date, or those who have recently undergone medical treatment could be seen as having a very high exposure to potential hospital and medical expenses. | <b>T</b> | <b>F</b> |
| 4. If claims exceed anticipated levels, the insurers could react by increasing premiums, restricting coverage, or becoming more selective of applicants.  | <b>T</b> | <b>F</b> |
| 5. It is the insured who promises to pay future claims after a policy has been issued and the premium has been paid for.  | <b>T</b> | <b>F</b> |

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## Classes of Insurance

- Key terms:
- Beneficiary
  - General Insurance
  - Life Insurance
  - Travel Insurance

As we mentioned in the Need for Insurance chapter, insurance covers three main categories of risk: Personal, Property & Liability. They can be further divided into two main headings: Life and General. These Classes of Insurance are mainly used in the licensing of insurers and control of policy wordings.

### Life Insurance

Life Insurance means insurance by which an insurer undertakes to pay money to the insured or beneficiary:

- on death,
- on the happening of an event or a contingency dependent on human life,
- at a fixed or determinable future time,
- for a term dependent on human life.

and includes,

- accidental death insurance,
- disability insurance,
- the provision of an annuity.

### General (or other than Life) Insurance

This classification of insurance covers Property & Casualty. It is under this heading that Travel Insurance falls in the province of British Columbia.

### Travel Insurance

Travel insurance is defined differently by each province. For the purposes of this study manual we will define travel insurance as:

- Insurance against loss or damage that is incurred by the insured during or in conjunction with travel, or
- Insurance against loss or damage occurring because of cancellation of travel arrangements.

A more detailed explanation of travel insurance is under discussion. The proposal is divided into two parts:

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1) insurance in respect of a trip by a person away from the place where the person ordinarily resides, without any individual assessment of risk, against,

- I. loss of, or damage to, personal property that occurs while on a trip,
- II. loss that is caused by the delayed arrival of baggage while on the trip, or
- III. loss that is incurred from the rental of a motor vehicle while on the trip, or

2) insurance in respect of a trip by a person away from the place where the person ordinarily resides,

- I. against expenses incurred while on the trip that results from an illness or disability of the person that occurs on the trip,
- II. against expenses incurred while on the trip that results from bodily injury to, or the death of, the person caused by an accident while on the trip,
- III. whereby the insurer undertakes to pay one or more sums of money in the event of an illness or disability of the person that occurs on the trip, or of bodily injury to, or the death of, the person that is caused by an accident on the trip,
- IV. against expenses incurred by the person for dental care necessitated by an accident while on the trip, or
- V. in the event that the person dies while on the trip, against expenses incurred for the return of that person's remains to the place where the person was ordinarily resident before death, or travel expenses for someone to go and pick up that person's remains,
- VI. against loss that results from the cancellation or interruption of the trip.

### **Licensed to Sell Travel Insurance**

Individuals wishing to sell insurance of any type must follow the regulations set by federal and provincial guidelines. These regulations confine travel counsellors to soliciting Travel Insurance only when incidental to the counsellor's ordinary travel business. Further regulations in your province or territory may require the agency to be registered to sell insurance as a business and the travel counsellors have a restricted insurance travel counsellor's license.

Questions:

- 1. Travel Insurance is defined as insurance against loss or damage that is incurred by the insured during or in conjunction with travel, or against loss or damage occurring because of cancellation of travel arrangements. **T F**
- 2. Life Insurance means insurance by which an insurer undertakes to pay money to the insured or beneficiary for a term dependent on human life. **T F**

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## Trip Cancellation, Trip Interruption and Trip Delay Insurance

- Key terms:
- Trip Cancellation
  - Trip Interruption
  - Comprehensive Trip Package
  - Non Refundable
  - Trip Delay
  - Default
  - Sum Insured
  - Policy Term
  - Proximate Cause
  - Stable (Condition)

Trip cancellation, trip interruption & trip delay coverage is sold together as a unit if the insured, your client, purchases non-refundable, pre-paid:

- airfare
- coach tours
- cruise
- hotels etc.

The terms and conditions from the supplier used will indicate what penalties or fees will be charged if there are changes or a cancellation of the agreed upon arrangements. The levels for these fees and charges will be based on the type of vacation purchased, the amount already paid, and when an unforeseen circumstance forces your client to make a change or cancellation. Your client must be made aware of the penalty structure imposed by travel suppliers as soon as they have agreed to purchase the arrangements and payment is made.

Normally, as soon as a deposit is paid against a vacation, your client could lose money due to unforeseen circumstances, in other words, the client has something at risk. Insurance must be purchased and policy issued at this time to cover each risk.

Two methods of coverage are:

- a) cover the maximum amounts, sum insured, at risk prior to and during the trip in one policy and premium calculation, or,
- b) cover amounts, sum insured, as penalties change, for example:
  - 1) 90 to 61 days prior, loss is 10% cover this amount only;
  - 2) 60 to 31 days prior, loss is 50%, cover this amount;
  - 3) 30 to day of departure, loss is 100%, cover this amount.Three policies would be issued on day 90, 60 and 30 prior to departure.

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This type of insurance is also based on the type of risk and when the risk can occur. The main difference between Trip Cancellation (before departure), Trip Interruption (during the trip), and Trip Delay (delayed beyond scheduled return) involves timing.

Before the premium can be charged, the insurer needs to know:

- Sum Insured Prior to Departure (Cancellation)
- Sum Insured After Departure (Trip Interruption)
- Trip Duration
- Age of the insured

The policy must be presented to the insured at the time of purchase and policy issuance. The insured must be made aware of all the terms and conditions of the travel insurance product they have purchased. By presenting policy and explaining these conditions, such as benefits, exclusions and limitations, the insured is aware of the responsibilities associated in making this purchase. As the insured is now in possession of the policy, they can act correctly if or when necessary.

### **Proper Notice**

The insurers require that when the reason for cancellation occurs prior to departure, the insured must cancel the travel arrangements with the travel counsellor on the day the reason for cancellation occurs or on the next business day. Refer to the insurer conditions if and when this becomes necessary.

### **Scaled Coverage - Penalty Structures**

When Trip Cancellation coverage is purchased there is an additional fact that you must be aware of.

At any time after the client first puts their deposit down on their trip and purchases their trip cancellation insurance, it is important to understand what amounts are payable should they have to cancel. The amount payable should they claim is limited to the amount that was non-refundable at the time they were diagnosed for the condition they cancelled for. This could mean that your client cancelled when the penalty on their trip was 100%, however when they were diagnosed, the penalty was only at 50%.

It is important to advise your client of this fact when they purchase their insurance. It is also advisable to contact your client at the time the penalties increase to remind them of the conditions of the coverage. It is important to note that the insurance does not pay based on the date the doctor advised them not to travel, but the date the cause of the loss was diagnosed.

### **Example 1:**

Mr. & Mrs. Claremont have booked a trip to the Mayan Riviera departing on the 10<sup>th</sup> of February. They pay you a deposit of CAD200 per person and purchase

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trip cancellation insurance today the 16<sup>th</sup> of October. The total cost of the trip for the two of them, including taxes but excluding insurance, is CAD4598. On Nov 12<sup>th</sup>, Mr. Claremont breaks his hip during a fall. The Claremont's feel that as they are not leaving for another 3 months, they'll wait before canceling.

On January 26<sup>th</sup>, the Doctor advises Mr. Claremont not to travel, at which point they cancel the trip. To their surprise they are only covered for CAD200 each, not the full cancellation amount.

**Example 2:**

Mrs. Smith books a trip in March for a trip to Hawaii in December. At the time of the booking she was feeling fine and not seeking treatment for anything. The non-refundable deposit is CAD300. In May she goes for a check-up to her doctor and is advised she should have some tests done as the doctor has found a lump. She goes through the tests and the results indicate she has cancer which is treatable. In October her penalty for her trip changes to 100%. Mrs. Smith undergoes treatment through to November, ever hopeful she will be taking her trip in December. Unfortunately, just before departure, Mrs. Smith is unable to go due to her cancer and cancels. The claim is reimbursable only at CAD300 when her cancer was diagnosed.

**Penalty Amount**

up to and including 60 days prior to departure	Deposit or CAD200 per person, whichever is greater
59 - 30 days prior to departure	50% non refundable of the trips value
29 - to the day of departure	100% non refundable

**Risks Insured Before Departure - Trip Cancellation Insurance**

This coverage begins from the time a non-refundable deposit is paid for a booking up to the time, and including the time, of scheduled departure. The benefit of this insurance is that it will reimburse the insured for non-refundable pre-paid travel charges in the event that the insured must cancel their trip due to one of the risk shown below. The next few pages are for example only:

Insured Risk	Benefit to Insured could be -
<p><b><u>Medical Emergency or Hospitalization</u></b>  for :</p> <ul style="list-style-type: none"> <li>▪ insured</li> <li>▪ travelling companion</li> <li>▪ and/or their:</li> <li>▪ immediate family (local or at destination)</li> <li>▪ business partner</li> <li>▪ key employee</li> <li>▪ caregiver</li> <li>▪ host at destination</li> </ul>	<ul style="list-style-type: none"> <li>▪ reimburse non refundable prepaid travel arrangements</li> <li>▪ reimburse extra costs associated with hotels, tour packages, etc, occupancy</li> <li>▪ reimburse non-refundable unused arrangements</li> </ul>
<p><b><u>Pregnancy</u></b></p> <ul style="list-style-type: none"> <li>▪ Complications or</li> <li>▪ being diagnosed</li> <li>▪ for:</li> <li>▪ insured</li> <li>▪ travelling companion</li> <li>▪ and/or their:</li> <li>▪ immediate family</li> </ul> <p>Note: check with each insurer for specific details on time elements</p>	<ul style="list-style-type: none"> <li>▪ reimburse non refundable prepaid travel arrangements</li> <li>▪ reimburse extra costs associated with hotels, tour packages, etc, occupancy</li> </ul>
<p><b><u>Death</u></b>  for :</p> <ul style="list-style-type: none"> <li>- insured</li> <li>- travelling companion</li> </ul> <p>and/or their:</p> <ul style="list-style-type: none"> <li>- immediate family (local or destination)</li> <li>- business partner</li> <li>- key employee</li> <li>- caregiver</li> <li>- host at destination</li> </ul>	<ul style="list-style-type: none"> <li>▪ reimburse non refundable prepaid travel arrangements</li> <li>▪ reimburse extra costs associated with hotels, tour packages, etc, occupancy</li> </ul>
<p><b><u>Employment</u></b>  transfer which requires relocation of principal residence  or  involuntary loss due to lay-off or dismissal without just cause  to:</p> <ul style="list-style-type: none"> <li>▪ insured</li> </ul>	<ul style="list-style-type: none"> <li>▪ reimburse non refundable prepaid travel arrangements</li> </ul>



Insured Risk	Benefit to Insured could be -
<ul style="list-style-type: none"> <li>▪ spouse</li> <li>▪ travelling companion</li> </ul>	<ul style="list-style-type: none"> <li>▪ reimburse extra costs associated with hotels, tour packages, etc, occupancy</li> </ul>
<p><b><u>Service</u></b> Summoned to service:</p> <ul style="list-style-type: none"> <li>▪ police personnel</li> <li>▪ fire personnel</li> <li>▪ reservists</li> <li>▪ active military</li> </ul> <p>for:</p> <ul style="list-style-type: none"> <li>▪ insured</li> <li>▪ travelling companion</li> </ul>	<ul style="list-style-type: none"> <li>▪ reimburse non refundable prepaid travel arrangements</li> <li>▪ reimburse extra costs associated with hotels, tour packages, etc, occupancy</li> </ul>
<p><b><u>Business Meeting</u></b> Cancellation of business meeting beyond your control for:</p> <ul style="list-style-type: none"> <li>▪ insured</li> <li>▪ travelling companion</li> </ul>	<ul style="list-style-type: none"> <li>▪ reimburse non refundable prepaid travel arrangements</li> </ul>
<p><b><u>Delays</u></b> Delay of scheduled carrier, due to weather conditions, not travelling:</p> <ul style="list-style-type: none"> <li>▪ insured</li> <li>▪ travelling companion</li> </ul>	<ul style="list-style-type: none"> <li>▪ reimburse non refundable prepaid travel arrangements</li> </ul>
<p>Delay of scheduled carrier, due to weather conditions, to travel companion and the insured continues to travel.</p> <ul style="list-style-type: none"> <li>▪ insured</li> </ul>	<ul style="list-style-type: none"> <li>▪ reimburse extra costs associated with hotels, tour packages, etc, occupancy</li> </ul>
<p><b><u>Schedule Changes</u></b> Miss a connection due to a schedule change:</p> <ul style="list-style-type: none"> <li>▪ insured</li> </ul>	<ul style="list-style-type: none"> <li>▪ an Aggregate Limit reimbursement for change fees, one way economy airfare to next destination, accommodations, meals, phone calls, and local transportation.</li> </ul>
<p><b><u>Cancellation of Cruise</u></b> Any time prior to the departure of the cruise ship, insured could be enroute:</p> <ul style="list-style-type: none"> <li>▪ repositioning due to weather</li> <li>▪ quarantine</li> <li>▪ mechanical failure</li> </ul>	<ul style="list-style-type: none"> <li>▪ an Aggregate Limit for any change fees or non-refundable airfares</li> </ul>

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Insured Risk	Benefit to Insured could be -
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- for:
- insured

**Natural Disaster**

Principle residence of:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>▪ insured</li> <li>▪ travelling companion</li> </ul> | <ul style="list-style-type: none"> <li>▪ reimburse non refundable prepaid travel arrangements</li> <li>▪ reimburse extra costs associated with hotels, tour packages, etc, occupancy</li> </ul> |
|---|---|

**Quarantine, Hijacking, or Terrorism**

To:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>▪ insured</li> <li>▪ travelling companion</li> </ul> | <ul style="list-style-type: none"> <li>▪ reimburse non refundable prepaid travel arrangements</li> <li>▪ reimburse extra costs associated with hotels, tour packages, etc, occupancy</li> </ul> |
|---|---|

**The Courts**

-Called for Jury Duty

-Subpoenaed as a Witness

-Defendant in Civil Suit ordered to appear:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>▪ insured</li> </ul> <p>travelling companion</p> | <ul style="list-style-type: none"> <li>▪ reimburse non refundable prepaid travel arrangements</li> <li>▪ reimburse extra costs associated with hotels, tour packages, etc, occupancy</li> </ul> |
|---|---|

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## Risks Insured During the Trip - Trip Interruption Insurance

Provides coverage from the time trip commences until the insured returns home and reimburse expenses caused by a number of events listed below. (For example only):

Insured Risk	Benefit to Insured could include -
<p><b><u>Medical Emergency or Hospitalization</u></b> for :</p> <ul style="list-style-type: none"><li>▪ insured</li><li>▪ travelling companion</li></ul> <p>and/or their:</p> <ul style="list-style-type: none"><li>▪ immediate family (local or destination)</li><li>▪ business partner</li><li>▪ key employee</li><li>▪ caregiver</li><li>▪ host at destination</li></ul>	<p>a combination of:</p> <ul style="list-style-type: none"><li>▪ reimburse non-refundable unused arrangements</li><li>▪ least expensive economy class transportation to rejoin tour or group</li><li>▪ least expensive economy class transportation to home</li><li>▪ least expensive economy class transportation to next destination</li><li>▪ an Aggregate Limit on meals, accommodation and local transportation.</li></ul>
<p><b><u>Pregnancy</u></b> for:</p> <ul style="list-style-type: none"><li>▪ insured</li><li>▪ travelling companion</li></ul> <p>and/or their:</p> <ul style="list-style-type: none"><li>▪ immediate family</li></ul> <p>Note: check with each insurer for specific details on time elements</p>	<p>a combination of:</p> <ul style="list-style-type: none"><li>▪ reimburse non-refundable unused arrangements</li><li>▪ least expensive economy class transportation to home</li><li>▪ an Aggregate Limit on meals, accommodation and local transportation.</li></ul>
<p><b><u>Death</u></b> for :</p> <ul style="list-style-type: none"><li>▪ insured</li><li>▪ travelling companion</li></ul> <p>and/or their:</p> <ul style="list-style-type: none"><li>▪ immediate family (local or destination)</li><li>▪ business partner</li><li>▪ key employee</li><li>▪ caregiver</li><li>▪ host at destination</li></ul>	<p>a combination of:</p> <ul style="list-style-type: none"><li>▪ reimburse non-refundable unused arrangements</li><li>▪ least expensive economy class transportation to home</li><li>▪ an Aggregate Limit on meals, accommodation and local transportation.</li><li>▪ Repatriation</li></ul>

Insured Risk	Benefit to Insured could include -
<p><b><u>Employment</u></b> transfer which requires relocation of principle residence or involuntary loss due to lay-off or dismissal without just cause to:</p> <ul style="list-style-type: none"> <li>▪ insured</li> <li>▪ spouse</li> <li>▪ travelling companion*</li> </ul>	<p>Could include a combination of:</p> <ul style="list-style-type: none"> <li>▪ reimburse non-refundable unused arrangements</li> <li>▪ least expensive economy class transportation to home</li> <li>▪ an Aggregate Limit on meals, accommodation and local transportation.</li> </ul>
<p><b><u>Service</u></b> Summoned to service:</p> <ul style="list-style-type: none"> <li>▪ police personnel</li> <li>▪ fire personnel</li> <li>▪ reservists</li> <li>▪ active military</li> </ul> <p>for:</p> <ul style="list-style-type: none"> <li>▪ insured</li> <li>▪ travelling companion</li> </ul>	<p>Could include a combination of:</p> <ul style="list-style-type: none"> <li>▪ reimburse non-refundable unused arrangements</li> <li>▪ least expensive economy class transportation to home</li> <li>▪ an Aggregate Limit on meals, accommodation and local transportation.</li> </ul>
<p><b><u>Business Meeting</u></b> Cancellation of business meeting beyond your control for:</p> <ul style="list-style-type: none"> <li>▪ insured</li> <li>▪ travelling companion</li> </ul>	<p>Could include a combination of:</p> <ul style="list-style-type: none"> <li>▪ reimburse non-refundable unused arrangements</li> <li>▪ least expensive economy class transportation to home</li> <li>▪ an Aggregate Limit on meals, accommodation and local transportation.</li> </ul>
<p><b><u>Delays</u></b> Delay of scheduled carrier, due to weather conditions, not travelling:</p> <ul style="list-style-type: none"> <li>▪ insured</li> <li>▪ travelling companion</li> </ul> <p>Delay of scheduled carrier, due to weather conditions, to travel companion and insured continues</p> <ul style="list-style-type: none"> <li>▪ insured</li> </ul> <p>Private Automobile or Connecting Carrier (passenger plane, ferry, cruise ship, limousine, taxi, bus, train) due to:</p>	<p>Could include a combination of:</p> <ul style="list-style-type: none"> <li>▪ reimburse non-refundable unused arrangements</li> <li>▪ least expensive economy class transportation to home</li> <li>▪ least expensive economy class transportation to next destination</li> <li>▪ an Aggregate Limit on meals, accommodation and local transportation.</li> <li>▪ reimburse extra costs associated with hotels, tour packages, etc,</li> </ul>

<b>Insured Risk</b>	<b>Benefit to Insured could include -</b>
<ul style="list-style-type: none"> <li>▪ mechanical failure</li> <li>▪ weather</li> <li>▪ traffic accident</li> <li>▪ police directed re-route</li> </ul>	<p>occupancy</p>

**Schedule Changes**

Miss a connection due to a schedule change:

- insured
- an Aggregate Limit reimbursement for change fees, one way economy airfare to next destination, accommodations, meals, phone calls, and local transportation.

**Cancellation of Cruise**

Any time prior to the departure of the cruise ship, insured could be enroute:

- repositioning due to weather
- quarantine
- mechanical failure
- an Aggregate Limit reimbursement for a one way economy air fare to your home.

for:

- insured

**Natural Disaster**

Principle residence of:

- insured
- travelling companion\*
- Could include a combination of:
  - reimburse non-refundable unused arrangements
  - least expensive economy class transportation to home
  - an Aggregate Limit on meals, accommodation and local transportation.

**Quarantine, Hijacking or Terrorism**

To:

- insured
- travelling companion\*
- Could include a combination of:
  - reimburse non-refundable unused arrangements
  - least expensive economy class transportation to home
  - an Aggregate Limit on meals, accommodation and local transportation.

Insured Risk	Benefit to Insured could include -
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### **The Courts**

-Called for Jury Duty  
 -Subpoenaed as a Witness  
 -Defendant in Civil Suit ordered to appear:

- insured
- travelling companion\*

Could include a combination of:

- reimburse non-refundable unused arrangements
- least expensive economy class transportation to home
- an Aggregate Limit on meals, accommodation and local transportation.

### **Unable to Take the Scheduled Return or Trip Delay**

Generally the benefits for Trip Delay are:

- least expensive economy class transportation to home
- an Aggregate Limit on meals, accommodation and local transportation.

### **Limitations & Exclusions**

These risks and benefits have limitations or exclusions that the insured must be aware of. Cancelling or interrupting may not be covered when the insured('s):

- Medical condition is not stable within the past 3 months prior to departure date (the starting date of the policy),
- Cancels or interrupts their trip when they could have travelled,
- Has made no payments yet,
- Intentionally self injures themselves or commits or attempts suicide, whether sane or insane,
- Commits or participates in a criminal act,
- Has mental or emotional disorders with conditions,
- Abuses alcohol, drugs or medication,
- Misuses prescribed medical therapy or treatment,
- Gives birth to a child or requires prenatal care during the trip,
- Has a complication from pregnancy or childbirth. Normally the time limit is 9 or 10 weeks prior to expected delivery date.
- Has complications from specific medical treatment when it was the reason for the trip,
- Goes to a country with war, aggressions, rebellion or terrorism,
- Is given negligent advice in obtaining a visa,
- Medical questionnaire is completed incorrectly.
- Answers yes to any part of the Medical Questionnaire if there has been treatment within the past 6 months.

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Claims can also be refused if the insured's family members or travelling companion(s) are excluded from the list above.

Insurance covers unknown risks. If your client does not qualify for one part of insurance, they may qualify for another risk that is unrelated.

Activity:

Compare the Trip Cancellation, Interruption & Delay risk covered, that your agency currently offers, with those found on the preceding pages. How do they compare? What are the similarities?

Questions:

- |  |          |          |
|--|----------|----------|
| 1. Trip Cancellation must be purchased when first payment is made or before cancellation fees come into effect.  | <b>T</b> | <b>F</b> |
| 2. Before the premium can be charged for Trip Cancellation, the insurer needs to know the duration of the journey protected.   | <b>T</b> | <b>F</b> |
| 3. The insured will be reimbursed for non refundable prepaid travel arrangements if they cancel prior to departure due to unexpected medical reasons happening to themselves.  | <b>T</b> | <b>F</b> |
| 4. The insured will be reimbursed non refundable prepaid travel arrangements if they cancel prior to departure due to the death of their travelling companion.   | <b>T</b> | <b>F</b> |
| 5. The insured will be reimbursed for non refundable prepaid travel arrangements if they cancel prior to departure due to the insured being transferred and requiring the insured to relocate their principle residence. | <b>T</b> | <b>F</b> |
| 6. The insured will be reimbursed for non refundable prepaid travel arrangements if they cancel prior to departure due to the cancellation of business meeting beyond their control.                                     | <b>T</b> | <b>F</b> |

- 
- |    |  |          |          |
|----|--|----------|----------|
| 7. | The insured will be reimbursed an aggregate limit for any change fees or non-refundable airfares if they cancel a cruise after the cruise ship has departed.   | <b>T</b> | <b>F</b> |
| 8. | The insured will be reimbursed non refundable prepaid travel arrangements if they cancel prior to departure due to being subpoenaed as a witness.  | <b>T</b> | <b>F</b> |
| 9. | Trip interruption insurance provides coverage from the time the trip commences until the insured returns to their departure point.   | <b>T</b> | <b>F</b> |
| 10 | Trip interruption insurance could include a combination of: <ul style="list-style-type: none"><li>▪ Reimburse non-refundable unused arrangements</li><li>▪ least expensive economy class transportation to home</li><li>▪ an Aggregate Limit on meals, accommodation and local transportation.</li><li>▪ Repatriation due to the death of the travelling companion of the insured.</li><li>▪</li></ul> | <b>T</b> | <b>F</b> |
| 11 | One benefit of trip delay coverage is transportation to the insured's home, in business class.   | <b>T</b> | <b>F</b> |
| 12 | The insurers require that when the reason for cancellation occurs prior to departure, the insured must cancel the travel arrangements with the travel counsellor at the insured's convenience.   | <b>T</b> | <b>F</b> |
| 13 | A claim can be refused if it is due to an excluded risk insured?   | <b>T</b> | <b>F</b> |
| 14 | The amount payable on a claim is limited to the amount that was non-refundable at the time the insured was diagnosed for the condition they cancelled for.   | <b>T</b> | <b>F</b> |



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## Default Insurance of Supplier

Key terms: ● Default Insurance

### Definition

Default means that a travel supplier ceases operations as a result of bankruptcy.

Usually the supplier is in a default position when they can no longer meet their financial obligations to all contracts, which requires them to declare bankruptcy. Some insurers cover the risk of a travel supplier being unable to fulfill their contracted obligation to the client.

Some provinces have legislation in place to protect the consumer from these bankruptcies in the form of a compensation fund. All clients affected by the non-performance of a contract that will make them lose money or must pay additional money to complete a journey, may make a claim to these funds. Please refer to your provincial plan, if applicable, for more information on claims.

### Coverage

Insurance coverage changes from insurer to insurer. Check with travel supplier that went into default and follow their recommendations or those of the appointed bankruptcy handlers. If there is an established compensation fund organization, contact them. Also check with provincial and national organizations such as ACTA for guidelines plus check with your insurance provider.

Activity:

1) Is there a compensation fund in your province?

2) What are the procedures to process a claim with your travel insurance provider if a travel supplier would seek bankruptcy?

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## Emergency Medical Coverage

### Key terms:

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Accident</li><li>• Age Limits</li><li>• Assistance Service</li><li>• Benefits</li><li>• Elective Treatment or Surgery</li><li>• Eligible Expense</li><li>• Emergency</li><li>• Evidence of Insurability</li><li>• Exclusions</li><li>• Extended Health Care Insurance</li><li>• Extended Coverage after Policy's Stated Termination Date</li><li>• Expected Medical Treatment</li><li>• Family Transportation Expense</li><li>• Historical Condition</li><li>• Hospital</li><li>• Hospital Benefits</li></ul> | <ul style="list-style-type: none"><li>• Immediate Family</li><li>• In Hospital Cash Policy</li><li>• Injury</li><li>• Medical Attendance</li><li>• Medical Questionnaire</li><li>• Medical Treatment</li><li>• Physician</li><li>• Precedent to Liability</li><li>• Pre-existing Condition</li><li>• Primary Hospital &amp; Medical Coverage</li><li>• Repatriation</li><li>• Return of Vehicle Benefit</li><li>• Second Payer</li><li>• Sickness</li><li>• Subsistence Allowance</li><li>• Travelling Companion</li></ul> |
|---|--|

This coverage is also known as Emergency Excess out of Province Hospital and Medical Insurance.

### **Provincial Hospital Medical Coverage**

This is primary medical coverage provided to residents paying into their Provincial Medical and Hospital plans. It covers the insured for all costs for services provided within the residents' home province. A deductible amount may apply.

Each province administers medical coverage through services like Medical Services Plan (BC) and hospital insurance through the Hospital Care Division. Medical coverage, but not hospital insurance, is subject to registration and payment of premiums. Through reciprocal government agreements, these Provincial plans pay for unexpected treatment required by residents in other Provinces and Territories. However costs could still exceed this reciprocal amount for such services as x-ray, prescription drugs and ambulance, just to mention a few.

For unexpected treatment outside Canada, payment for physicians' services cannot exceed the amount payable, had the same treatment been provided in their home province.

**Example: British Columbia:**

In British Columbia, payment for hospital charges can be a maximum payout of \$75 Canadian per day for adults for out of province coverage.

For further information on this go to:

[www.hlth.gov.bc.ca/msp/infoben/leavingbc.html](http://www.hlth.gov.bc.ca/msp/infoben/leavingbc.html)

**Key Definitions**

These definitions may vary from the travel insurer you use.

Term	Explanation
Emergency *	a) An unforeseen illness or injury, which requires immediate Treatment (as defined in this policy) to prevent or alleviate existing danger to life or health. An Emergency no longer exists when the medical evidence indicates that the person is able to continue the trip or return to his or her province or territory of residence. b) An unexpected contingency demanding immediate attention.
Expected Medical Treatment	Medical consultation or hospitalization that has been shown, by prior medical history, as probable or certain to occur.
Hospital	An institution licensed and accredited as a hospital that has rooms for resident inpatients, a laboratory, registered graduate nurses always on duty and an operating room where a physician or surgeon performs surgical operations.
Physician	A medical practitioner currently licensed in the location where he or she provides medical treatment.
Precedent to Liability	This is referring to a condition or circumstance that an insured is aware of that exists before they purchase the insurance and that condition or circumstance is the cause of loss.
Pre-existing Condition *	A medical condition for which Treatment (as defined in this policy) has been received or taken, or which exhibited symptoms, prior to the trip in question and within the period specified in this policy, and includes a medically recognized complication or recurrence (as defined in this policy) of a medical condition.
Recurrence *	The appearance of symptoms caused by or related to a medical condition, which was previously diagnosed by a Physician (as defined in this policy) or for which Treatment (as defined in this policy) was previously received.
Sickness	An illness or disease not arising from accident or injury.

Stable and Controlled *	'Stable and Controlled' means the medical condition is not worsening and there has been no alteration in any medication for the condition or its usage or dosage, nor any Treatment (as defined in this policy), prescribed or recommended by a Physician (as defined in this policy), or received, within the period specified in this policy before the trip in question.
Terminal *	A medical condition for which, before the trip in question, a Physician (as defined in this policy) gave a prognosis of eventual death or palliative care was received.
Treatment *	A medical, therapeutic or diagnostic procedure prescribed, performed or recommended by a Physician (as defined in this policy), including but not limited to prescribed medication, investigative testing and surgery. Treatment does not include the unaltered use of prescribed medication for a medical condition, which is Stable, and Controlled (as defined in this policy) or a medical examination in which a Physician observes no change in a previously identified condition.

\*from THIA – Travel Health Association of Canada

### **Maximum Sum Insured**

Insurers vary on the maximum coverage provided ranging from \$1 Million to Unlimited for reasonable and necessary expenses of unexpected sickness or injury.

### **Elective (non-emergency) Treatment and Surgery**

Please refer to each provincial plan to determine what treatments and surgery are included. Many changes have occurred during the past few years. Yet these costs could normally be covered when ordered by a treating physician and performed in the home province of the insured. Should such treatment be obtained outside the Province, the provincial-attending physician must obtain prior approval in writing before the Provincial plans will respond for payment. Even with approval, travel and accommodation remain the responsibility of the patient. Rarely will provincial plans cover elective surgery when not ordered by a physician. Travel Insurance never covers elective treatment or surgery.

### **Major Medical Extended Health Care Insurance**

This insurance could be provided on a group basis as an employment benefit, a homeowners' plan or part of a private plan. It provides for services not normally included in the provincial hospital and medical plans and could include:

- semi-private room accommodation,
- special duty nursing.

Sometimes this coverage could include services outside Canada to pay for emergency hospital and medical charges beyond the level paid by the Provincial plans.

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## Emergency Medical Insurance

This coverage is recommended to all Canadian residents who pay into a provincial government medical plan, when travelling outside their province of residence and/or outside of Canada. As the provincial plans limit the coverage to costs as if it would be performed in the province of residence, all additional costs become the responsibility of the individual requiring medical treatment.

For example:

Incident Cost (1)*	Provincial Coverage (2)	Client Pays Balance (3)
Stitches due to fall = CAD \$120	CAD \$50	CAD \$70
Set broken arm = CAD \$400	CAD \$100	CAD \$300
Major cardiovascular procedures, without complications = CAD \$92,829	CAD \$75 to \$400	CAD \$92,429+
Treatment for a badly broken leg = CAD \$62,702	CAD \$75 to \$400	CAD \$62,302+

- for example purposes only
- \*Rate of Exchange used: 1USD = CAD1.36
- + if provincial coverage is CAD \$400

Emergency Medical Insurance reimburses the actual, reasonable and customary emergency related hospital and medical expenses (1) incurred by the insured outside his or her province of residence. These expenses must be in excess of the benefits (2), which may be recovered from the Government health insurance plan of that Province and other group coverage, or individual coverage, from which the insured is entitled to benefits. Extended coverage could include protection for individuals by their private major medical extended health care coverage or by extended coverage offered through certain types of credit cards (see Additional Information in this chapter).

Rather than the client paying the balance (3), it could be covered by Emergency Hospital Medical insurance as long as they have followed the guidelines set out by the insurer.

### Guidelines

The details vary from insurer to insurer, but the insured should:

- require emergency treatment for sickness or injury for which the insured must be attended by a physician,
- notify the insurer as soon as possible (within 24 hours of hospital admission),
- call on the 1-800 telephone number provided in the policy (Assistance Service),
- hospitals in the United States usually require proof of insurance before admission, and will assist in telephoning the insurer for verification.

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Failure to notify the insurer immediately upon hospitalization may limit policy coverage.

### **Questionnaire**

Many insurers require an applicant to complete a medical questionnaire. It will act as:

- a qualifier to determine risk,
- waiver for certain conditions or exclusions,
- it can be used to disclose to the insured any deductible amounts,
- a guide to determining the premium to be charged.

Some insurers make this questionnaire mandatory for clients who are 60+ years of age. The questions asked could be based on their medical condition for a specified time period relative to conditions such as:

- a heart condition, for which the applicant has taken or been prescribed medication?
- diabetes?
- a stroke?
- high blood pressure?

### **Benefits**

The insured may be reimbursed charges and expenses for:

- necessary air, land or sea ambulance to the nearest hospital,
- emergency out-patient services provided by a hospital,
- prescribed diagnostic X-ray examination and laboratory tests,
- the services of a legally qualified physician, surgeon, anaesthetist or registered graduate nurse,
- a hospital with standard accommodation and for services and supplies necessary for the care of the insured during confinement as a resident in-patient,
- rental of crutches or hospital type bed,
- prescribed drugs or medicines.

### **Additional Benefits**

Vary from insurer to insurer but generally include:

#### **Emergency Dental**

Reimbursement up to a small limit (1) say \$1,000, for dental treatment made necessary by an accidental blow to the face and/or (2) say \$200, for any emergency dental treatment.

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### **Return of Vehicle**

Reimbursement up to some small limit, say \$1,000, for reasonable charges to return a leased or owned vehicle made necessary by sickness or injury of the insured.

### **Subsistence Allowance**

Reimbursement up to some small limit, say \$1,000, for reasonable and necessary commercial accommodation, meals, telephone calls and taxi expenses incurred by the insured or an insured travelling companion as a result of a sickness or injury.

### **Family Transportation Expense**

If the insured becomes hospitalized due to a covered sickness or injury and the treating physician advises the necessary attendance of a family member or close friend of the insured, the insurer will pay the transportation cost by common carrier, up to a stated maximum amount, say \$1,000.

### **Assistance and Repatriation Service**

This coverage is a no-cost to the insured service provided automatically in all insurance policies as a benefit to the insured. Assistance service is not considered to be insurance and is usually provided by either speciality assistance company or by the insurer itself. The insured need to call as soon as possible if they need medical treatment and plan to make a claim.

The Assistance Service is available 24 hours a day by local, toll free or long distance telephone numbers. They will:

- (1) advise travellers where and how to obtain medical treatment, including arranging for an interpreter if necessary,
- (2) verify medical insurance coverage and payment procedures for treatment in a hospital and/or by a physician,
- (3) advise the insured family physician and family;
- (4) monitor the appropriateness and cost of treatment provided
- (5) repatriation:
  - (a) arrange the return of the patient to his home Province for continuing treatment should that be considered cost-effective, or
  - (b) in the event of death of the insured, arrange homeward carriage of the body or cremation or burial at place of death.

### **Repatriation**

In the event of hospitalization or the death of the insured, they may be returned home for continued treatment, based on the insured condition, or burial. This is called repatriation. If this is required, the insurance companies will:

- 
- Pay for the cost of returning a hospitalized insured to a hospital in his home Province for continuing treatment, should that be considered desirable and cost-effective by the insurer and the treating physician, or
  - in the event of death of the insured, pay up to a stated limit, for example,
    - a) CAD3,000.00 for the cost of homeward carriage of the body
    - b) CAD1,500.00 for the cost of cremation or burial at place of death.

### **Extended Coverage after Termination**

Coverage will be automatically extended in the event of:

- the delayed arrival of a common carrier, for a period up to 72 hours, or hospitalization of the insured, for the period of hospital confinement plus a further 72 hours after release.

### **Limitations and Restrictions**

There are Limitations and Restrictions to this coverage.

- It must be for emergency situations.
- Once the insured becomes stable and is well enough to return to his/her home province for further treatment, they will be repatriated. At this point coverage ceases.
- The insured may NOT elect to remain abroad for full recovery, except at the insured's personal expense.

### **Pre-existing Conditions**

This varies from insurer to insurer. A pre-existing condition could be defined as a medical condition for which treatment has been received or taken, or which exhibited symptoms, prior to the trip in question and within the period specified in this policy, and includes a medically recognized complication or recurrence of a medical condition. Some insurers could include coverage for clients with pre-existing conditions. Consult your agency insurance provider for further details.

You must ask the insured if they have a Pre-existing Condition. If your client has an injury or sickness, which required medical advice, prescription medication or medical treatment within a stated number of days, from 30 to 365, prior to the effective date of travel insurance coverage, this will limit their coverage. If the insured fails to disclose any of these facts, the insurer may refuse a claim if it pertains to the pre-existing condition.

### **Exclusions**

Coverage will most likely be excluded if:

- (1) exclude complications arising from pre-existing conditions,
- (2) the Provincial plans do not apply to a given situation,
- (3) insured travelled against doctor's orders not to,
- (4) suicide, attempted suicide or self-inflicted injury by insured, whether sane or insane,



- 
- (5) complication of pregnancy within last few weeks of expected delivery date,
  - (6) trip was undertaken for purpose of obtaining medical treatment or advice,
  - (7) elective non-emergency treatment or surgery undergone,
  - (8) insured injured while committing a criminal act,
  - (9) insured injured due to war, invasion or civil war,
  - (10) there has been abuse of alcohol, drugs or medication,
  - (11) exclude hazardous sporting activities.

### **Buying this Coverage**

Emergency Medical and Hospital coverage can be purchased from insurance agencies, travel agencies and the sales offices of a few insurers. It must be purchased in Canada prior to the departure of their journey.

It can be sold:

- as a stand-alone product,
- bundled with other products.

### **Additional Information**

Some "gold" credit cards provide automatic coverage to cardholders when out of Canada but restrictions generally apply concerning length of journey and maximum age of protected cardholder.

You should recommend to your client to read in detail coverage, limitations and exclusions from the credit card provider.

Clients should sign a waiver if they feel that they do not require the counsellor's recommended insurance, but opt for their credit card coverage instead.

### **Group Coverage**

Group Coverage means that a number of persons are insured under a single policy called a Master Policy which contains all the detailed terms and conditions. The master policy is issued to the group sponsor. The individuals insured each receive a Certificate of Insurance, a written document stating that insurance is in effect, including a general statement of policy's coverage but not all the details.

Individuals insured under this policy must have something in common other than just the purchase of insurance. Depending on how the group insurance is arranged, coverage may:

- (1) be mandatory for all members of the group, such as life insurance for all employees,
- (2) apply only to some members of the group, such as out of Canada excess medical insurance for "gold" credit card holders younger than age 65, or
- (3) be available for optional purchase by eligible group members, such as life insurance for alumni of a university.

The individuals insured have no control over terms and conditions of coverage

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nor can they be guaranteed continuing coverage should the master policy be cancelled by either the group sponsor or the insurer. Control for negotiation of the policy is with the sponsor.

**Claims with Duplication of Coverage**

When the insured has a combination of Emergency Hospital/Medical coverage, they must adhere to the guidelines set out by the insurer.

Activity 1:

Using the insurance company you sell in your agency, locate the Assistance company and answer the following questions:

Name of the company:

Phone number to Canada:

Telephone Number on the wallet-size cards:

Location for policy number:

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Questions:

- |     |   |          |          |
|-----|---|----------|----------|
| 1.  | A client needs to be covered by a provincial medical plan before expecting full benefits of Emergency Medical and Hospital insurance.     | <b>T</b> | <b>F</b> |
| 2.  | Your provincial medical plan coverage is adequate to cover all medical expenses around the world.   | <b>T</b> | <b>F</b> |
| 3.  | Your provincial medical plan coverage is adequate to cover all medical expenses in all the other provinces.                               | <b>T</b> | <b>F</b> |
| 4.  | Pre-existing conditions are always covered regardless of the circumstances.   | <b>T</b> | <b>F</b> |
| 5.  | Elective surgery will always be covered when travelling to the USA.   | <b>T</b> | <b>F</b> |
| 6.  | A medical questionnaire may have to be completed for seniors.   | <b>T</b> | <b>F</b> |
| 7.  | Part of repatriation means the insurer will pay towards homeward carriage of the body or for cremation or burial at the place of death.   | <b>T</b> | <b>F</b> |
| 8.  | An insured injured due to war, invasion or civil war is included in this coverage.  | <b>T</b> | <b>F</b> |
| 9.  | Emergency medical coverage must be purchased prior to departing from you home province that you ordinarily reside in.                     | <b>T</b> | <b>F</b> |
| 10. | Travel Insurance includes coverage against expenses incurred by the person for dental care necessitated by an accident while on the trip. | <b>T</b> | <b>F</b> |
| 11. | Assistance service is available 24 hours a day seven days a week  | <b>T</b> | <b>F</b> |
| 12. | Benefits could be reduced if the insured does not contact the assistance service as soon as medically possible.                           | <b>T</b> | <b>F</b> |

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## Baggage and Personal Effects Insurance

- Key Terms:
- Notice of Loss
  - Sum Insured
  - Deductible
  - Baggage & Personal Effects

This insurance is usually a part of package/combination policy or on it's own. It covers physical loss or damage to baggage or personal effects owned by the insured and used during a trip. Items that could be covered include

- Clothing
  - Toiletries
  - Documents
- ...just to mention a few.

### Maximum Sum Insured

The sum covered for any one item may be a portion of the maximum amount purchased depending on the item. For example, the insured may have a maximum sum of \$2000.00 yet a single reimbursement would be \$250.00 to \$300.00. If the insured has Homeowners, Tenants or similar policy, they would first make a claim against that policy. In most cases, a deductible is assessed to the claim. The insured could now make a claim to the insurer of the travel insurance for this deductible.

The maximum sum per individual or family can never exceed the maximum sum insured as offered by the insurer. For example if the maximum sum insured for an insurer is \$2000.00 CAD (with limitation on specific items),

	Maximum Sum Covered
Individual	\$2000
Family of 3	\$2000

### Conditions

Proof of an incident must be provided by the insured as soon as it happens. The insured must immediately:

- notify the police or other authority, if the police are not available,
- obtain documentation verifying the incident from the police or other authority, if the police are not available,
- notify the insurer when the insured returns home.

The claim could be voided if these procedures are not followed.

The insurer does have the right to repair or replace damaged or lost items at a depreciated value. Coverage will pay the lower amount. For example if a suit case is damaged, the insurer will evaluate the cost of replacing or repairing. If

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repairing the suitcase is less expensive than replacement of the item, it would be repaired.

**Excluded**

Some items not included could include:

- Artificial teeth
- Eye glasses
- Sun glasses
- Animals
- Items used in a profession or occupation
- Antiques and collector items

...just to mention a few.

Normally proof of ownership and possession must be provided by the insured when making a claim.

Activity:

Go to the Canadian Air Transport Security Authority (CATSA) web site [www.catsa-acsta.gc.ca](http://www.catsa-acsta.gc.ca) . Using the For Travel Counsellors - Baggage Checklist and the insurance you sell in your agency, what items on this list would be covered?

Questions:

1. A family of 2 with \$1500.00 of baggage and personal effects insurance each can make a maximum sum claim of \$3000.00.      **T**      **F**
2. A police report would be an appropriate document as evidence of loss.      **T**      **F**

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## Accident Insurance

- Key terms:
- Accident
  - Coverage
  - Aggregate Limit
  - Beneficiary
  - Benefits
  - Common Carrier
  - Dismemberment
  - Exclusions
  - Principle Sum

Accident insurance coverage is paid to the insured due to:

- the death of the insured, or
- loss of limb (dismemberment), like an arm, leg or finger, or
- the loss of eyesight

as a result of an accident on flights and common carriers. Anyone who is concerned that the risks of travel accidents warrant additional personal insurance protection should purchase this coverage.

This coverage is normally included as:

- part of a Comprehensive Trip Package insurance policy,
- offered automatically by "gold" credit card company if that card is used to charge airline ticket,
- often provided by travel agencies to their customers at no cost with purchase of airline ticket.

Accident insurance is usually sold under two headings: Air Flight Accident and Accidental Death & Dismemberment (AD&D).

### **Air Flight Accident**

This insurance pays for loss of life, limb or sight of a ticketed passenger while in, boarding, or alighting from an

- ✓ aircraft of a regularly scheduled airline.

It also provides coverage for a passenger in

- ✓ an airport limousine,
- ✓ bus or surface vehicle provided and arranged by the airline at the airport for the purpose of boarding or alighting an aircraft.

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### **Accidental Death & Dismemberment (AD&D)**

This insurance pays for loss of life, limb, or sight not covered in Air Accident. Coverage is provided on a 24-hour basis beginning at 12:01 a.m. on the date of departure from the Insured's province or territory of residence and terminates either at:

- a) 12:00 midnight on the expiry date or
- b) The time the insured returns to the province or territory of residence.

### **Benefits**

Benefits are payable according to the sum insured in the amount specified for the classification of Injury. However, some restrictions could apply, such as:

- Only one amount, the largest, is payable as a result of accidental Injury or death when the insured is under more than one policy issued by an insurer during the period of coverage.
- Only one amount, the largest, is payable in the event of loss:
  - a) 100% of sum insured for loss of life, double dismemberment (as described below) or loss of sight of both eyes.
  - b) 50% of sum insured for single dismemberment (as described below) or loss of sight of one eye.

<b>100% of the principal sum for</b>	<b>50% of the principal sum for</b>
<ul style="list-style-type: none"><li>▪ death</li><li>▪ double dismemberment</li><li>▪ total loss of eyesight</li></ul>	<ul style="list-style-type: none"><li>▪ single dismemberment</li><li>▪ loss of sight in one eye</li></ul>

Loss of hand or hands, or foot or feet means severance through or above the wrist joint or ankle joint, respectively. Loss of eye or eyes means total and irrecoverable loss of the entire sight. Only one amount is payable (the largest) if the Insured suffers more than one of these losses. Amounts specified for loss of two limbs or two eyes or one limb and one eye are payable only when such double loss occurs as a result of the same accident.

### **Beneficiary**

A beneficiary is usually indicated on the policy, by the insured, so that in the event of loss of life a payment can be made to a selected individual or individuals. If no beneficiary is indicated on the policy, all monies due to the insured will be given to their "estate" and distributed as indicated in their will.

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Activity:

Identify whether Air Flight Accident or AD&D would cover the following risks.

<b>Risk Insured</b>	<b>Coverage</b>
Loss of life due to a plane crash that the insured is a ticketed passenger of.	
Loss of sight in both eyes as a passenger of a taxi in Mexico City.	
Loss of limb while being transported by limo arranged by airline.	

Questions:

1. The Beneficiary of a policy can also be described as the insured. **T** **F**
2. The Aggregate Limit means the maximum payout by the insurer regardless of the number of claims made for any single accident. **T** **F**
3. A benefit of AD&D is that 100% of the principle sum will be paid out to the insured if they lose one eye. **T** **F**
4. Air Flight Accident insurance pays for loss of life, limb or sight of a ticketed passenger while in, boarding, or alighting from an aircraft of a regularly scheduled airline **T** **F**
5. Benefits are payable according to the sum insured **T** **F**



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## Automobile Rental Insurance

Key Terms: ●Waiver  
●CDW  
●LDW

When renting an automobile on a short-term basis, the rental agreement states that the client agrees to return the vehicle in the same condition as they received it. If not, the client shall pay for all loss or damage to the vehicle and the related expenses of the rental company including their loss of rental income while the vehicle is out of circulation. The rental company may agree to waive this responsibility for an additional daily charge.

### CDW/LDW

This optional waiver to the client can be called Collision Damage Waiver (CDW) or Loss Damage Waiver (LDW) for example. The coverage's vary between the different rental companies but have some basic similarities such as:

- dollar limit value,
- type of damage or loss
- cause of damage or loss

### Exceptions

Exceptions to this can include situations where the customer has violated any of the terms of the agreement, such as the client damaging the vehicle while driving on restricted roads. This waiver of a condition to the rental agreement by the rental company is not considered to be insurance.

### How to Purchase

Clients may look to various sources for this coverage as some rental car companies charge relatively high daily rates for their waiver. Clients could look to:

- Travel insurance companies
- Credit cards providing automatic insurance equivalent to the collision damage waiver when the rental is charged to that credit card.
- ICBC (provincial government auto coverage in BC) offers combined collision and liability coverage for rental cars on a pre-purchase basis at a low daily premium through Autoplan agencies. The coverage is added or extended onto an existing policy the driver already has with ICBC but limited to Canada & the USA.

Travel insurance companies may call this type of coverage Physical Damage Protection. It is usually offered as a separate coverage and on a pre-purchase basis through travel agencies.

---

## **Coverage**

The coverage from these companies could include:

- loss or damage to the vehicle anywhere in the world (not with all insurers),
- benefits up 50,000.00,
- acting on behalf of the insured in all liabilities as outlined in the rental agreement,
- expenses related to mechanical failure,
- acting on behalf of and paying costs for civil action against the insured.

This coverage is usually only valid if you purchase prepaid travel insurers CDW from the same travel counsellor who booked the rental car. The insured should always check over the rental car and record all damages. No repairs should even be undertaken by the insured unless authorized by the insurer.

## **Exclusions**

The exclusions could be:

- contents of the car
- expenses paid by other insurers
- damage or loss was caused if the insured is intoxicated, speeding or other civil disobedience
- that the vehicle is being used in violation of the rental agreement
- if the vehicle was in disrepair
- certain types of vehicles.

## **Country Applicability**

Even if the insured has coverage from various insurers, such as credit cards, extension of personal automobile insurance or other private coverage, there could be restrictions based on the country where the rental is originated. Check the details with the car rental agency regarding exclusions or restrictions.

---

Activity:

Using your travel insurance company, complete the chart below:

<b>Maximum Coverage</b>	
<b>What risks are insured?</b>	
<b>What are the benefits?</b>	
<b>What is not covered</b>	

Questions:

1. CDW will reimburse all expenses related to damage or loss regardless of the cause. **T** **F**
2. CDW covers loss of contents due to theft. **T** **F**
3. Credit card companies will automatically provide CDW even if you pay for the rental by a different credit card company. **T** **F**

---

## Visitors to Canada - Hospital & Medical Insurance

- Key terms:
- Dental Coverage
  - Elective Treatment or Surgery
  - Exclusions
  - Limitations
  - Repatriation
  - Subsistence Allowance

This insurance product is sold to international visitors, immigrants to Canada, people on student or work visa, Canadians not eligible for benefits under a provincial government medical plan or anyone without medical insurance valid for Canadian hospital and medical expenses.

International visitors coming to Canada on vacation hear about its national health care program, believing they will be covered for the short time that they are here, only to discover that they are not eligible. They may also discover that their existing plan at home may be inadequate for potential expenses due to emergency medical and hospital care. This is available through general insurance agencies, travel agencies and the sales offices of a few insurers. It may be purchased prior to or after arrival into Canada.

### Coverage

The time of purchase could affect coverage. Some insurers could require a waiting period of 24 hours from the time the policy issued before sickness is covered.

This coverage is sold to individuals from the following categories:

- 1) Immigrants,
- 2) Returning Canadians (who have not been a Resident of Canada and have let their provincial coverage lapse),
- 3) Students on a visa
- 4) On work visas,
- 5) General visitors to Canada

To be included in provincial plan coverage, individuals usually must wait for a period of three (3) months. During this waiting period they can apply for Visitors to Canada.

Coverage is for expenses incurred in Canada, however, they can claim for expenses incurred outside Canada as long as the insured spends most of their time in Canada.

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### **Pre-existing conditions**

Just as in Emergency Hospital Medical coverage, it is important to make the insured understand that certain pre-existing situations may not be covered.

### **Benefits**

Some of the Benefits associated with Visitors to Canada - Non Resident coverage are:

- Emergency medical for:
  - (1) the sum insured can begin from CAD5,000
  - (2) necessary air, land or sea ambulance to the nearest hospital
  - (3) emergency out-patient services provided by a hospital
  - (4) prescribed diagnostic X-ray examination and laboratory tests
  - (5) the services of a legally qualified physician, surgeon, anaesthetist or registered graduate nurse
  - (6) a hospital with standard accommodation and for services and supplies necessary for the care of the insured during confinement as a resident in-patient
  - (7) rental of crutches or hospital type bed
  - (8) prescribed drugs or medicines.
  
- Repatriation - returning the insured's body in event of death or if their condition becomes stable and they still have need for further medical treatment in their home country
- Transportation of a bedside companion to Canada
- Subsistence Allowance for:
  - insured
  - travelling companion(s)
  - bedside companion
- Dental Coverage due to an emergency.

Some plans may even include Travel Accident coverage:

- Death
- Single or double dismemberment
- Loss to one or both eyes

### **Exclusions**

As is with all types of insurance, Visitors to Canada - Non Resident coverage does have limitations and exclusions. This coverage will not:

- pay for expenses where trip is undertaken for the purpose of securing medical treatment or advice. Depending on which insurer is used, they may:
  - (1) exclude complications arising from pre-existing conditions,
  - (2) have minimum and maximum age limit for eligibility
  - (3) exclude expenses due to sickness occurring within 48 hours of arrival in Canada.
- cover a medical condition, treatment or advice already received in Canada.

---

Activity:

Do you have any clients that could be eligible for this type of coverage? If so, identify them.

Questions:

- |  |          |          |
|--|----------|----------|
| 1. This coverage is valid only for non-resident Canadians visiting relatives in Canada.  | <b>T</b> | <b>F</b> |
| 2. Elective surgery is covered by this insurance.  | <b>T</b> | <b>F</b> |
| 3. It is generally accepted that the waiting period for provincial government medical plan coverage is three months.   | <b>T</b> | <b>F</b> |
| 4. Non residents on a student visa are good prospects for this type of insurance.  | <b>T</b> | <b>F</b> |
| 5. A returning Canadian resident whose provincial government medical coverage has lapsed after travelling overseas could purchase this insurance as soon as they arrive in Canada. | <b>T</b> | <b>F</b> |

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## Combination or Bundled Insurance

Key terms: ●Comprehensive Trip Package  
●Package Tour  
●All Inclusive Package Plan

Combination or bundled insurance was a response by the insurance companies to offer lower premiums to their clients while offering maximum coverage. This type of insurance is also known as:

- Comprehensive Trip Package Insurance
- Package Tour Insurance
- All Inclusive Package Plan

This insurance may also have a special branded name and is one of the most popular types of insurance sold in agencies as it meets the total needs of the client.

Combination Insurance may include:

- (1) Trip Cancellation and Trip Interruption
- (2) Emergency Excess Out of Province Hospital and Medical insurance
- (3) Assistance Service
- (4) Accidental Death and Dismemberment, and
- (5) Baggage and Personal Effects.

This coverage also provides the client with a lower premium than if they purchased the different insurances separately.

The coverage details for each of these insurances can be found in other chapters of this manual.

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Activity:

Using the insurance rate information from the company that is sold in your agency, compare the costs of Combination/Package Insurance to all the Individual Insurances that are included. Include all of the coverage from the combination insurance in your Individual Insurance comparison. Your client is an adult (46) travelling for one week (8 days) to Jamaica, resident of the province and has provincial medical coverage.

Combination/Package Insurance	Individual Insurance Coverage

Questions:

1. Bundled or Combination Insurance includes trip cancellation & emergency medical coverage only      **T**      **F**
2. Bundled or Combination Insurance meets the total needs of the client.      **T**      **F**



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## Insurance Agents' Responsibility and Restrictions when Selling Insurance

Key points: ●Confidentiality

Counsellors selling restricted travel insurance have a responsibility to their clients and regulatory bodies. The Financial Institutions Act (BC) and its Regulations set the conditions for licensing insurance agents and regulate the way insurance transactions are handled. These key elements of the Act's requirements are that the insurance agent must be clearly identified, that certain information of the transaction be held in confidence, that no rebating is associated with the selling of insurance and that no tied selling of insurance products or services takes place.

### Confidentiality

If, in any transaction under which an insurance agent provides an insurance service or product to any customer, that agent receives information pertaining to that customer's insurance coverage or proposed insurance coverage, then, even if the agent is authorized by the customer to communicate the information, the agent shall not:

- communicate any of the information to another person except as necessary in the performance of the agent's duty to the customer arising out of that transaction or similar subsequent transaction with the same customer
- use the information for a purpose other than of that transaction or similar subsequent transaction with the same customer unless the communication or use of the information is authorized or required by an enactment or a court proceeding.

If the agent receives information other than that pertaining to a customer's insurance needs, it must be treated in the same confidential manner, unless the customer authorizes communication or use of this other information in writing.

Example ● information received pertaining to a customer's travel requirements may be used to solicit insurance,  
● information received pertaining to the customer's insurance requirements may not be used to solicit other products or services, including travel.

### Obtaining information when selling travel insurance in BC

Rules governing the confidentiality of customer's information are outlined in Section 4A.6 of the Insurance Council of BC's Licensee Handbook (01 July 2002).

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The licensee's responsibility concerning this information is clear.

- All information pertaining to the client's insurance coverage must be held in strict confidence,
- This information could be used and released only for the agent to perform their duty to that customer.

If the information collected pertains to general insurance, like travel insurance, the information may not be released, except as mentioned above, for any reason. Only with a court order or an act of legislation, can this information be released.

Maintaining customer confidentiality should be seen as a part of the usual business practice by all salespersons employed by and representing a licensed agent.

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## Selling Travel Insurance

- Key Terms:
- Benefits
  - Closing
  - Features
  - Listening Skills
  - Objections
  - Qualifying
  - Rapport
  - Recommending

### Introduction

Each Canadian travel insurance policy is a financial product as well as a legal contract. Therefore, agents have 'legal obligation' and 'duty-of-care' issues to consider when selling insurance. They must have successfully passed the exam and be licensed in order to be able to recommend insurance. They must also address client's needs first and foremost.

In order to establish trust, confidence and credibility to clients (utmost good faith), agents are responsible for keeping their knowledge up to date. They should remind themselves and their clients, on a regular basis, of the value and benefits of insurance:

Travel insurance can help provide peace of mind by knowing that insurance can cover the cost of thousands of dollars in medical expenses in case of a medical emergency and/or an accident. It protects the insured and its family as well as home and belongings by covering unforeseen costs.

Agents must also apply good listening skills and empathy in order to conduct a thorough needs analysis. The fact-finding portion of the conversation with the client needs to remain respectful and confidential while ensuring all information is fully disclosed in good faith in order for the insurance policy to become a legally binding contract.

Hence, insurance must be an integral part of any conversation about travel arrangements between an agent and a client. In the scenario of a meeting face-to-face, the use of visual aids in the form of promotional material and testimonials may complement and accentuate the messages expressed by the agent. The concept of protection that meets the client's needs must be implicit throughout the selling process. The premiums of the insurance may be included in the total cost of travel arrangements. This practice helps prevent objections and, more importantly, emphasizes the importance the agent gives to ensuring the client is fully protected when travelling.

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Agents must comply with the professional standards and regulations set by the Financial Institutions Commission (FICOM) in order to safeguard consumers against improper marketing and selling techniques. They must not induce a customer to purchase insurance by rebating commissions or providing gifts or other compensation nor shall they require the customer to transact additional financial business as a condition of purchase of an insurance policy.

For the client, insurance is peace of mind and protection from potential huge losses. For the agent, it may be a legal obligation to recommend insurance as well as a professional duty to offer excellent customer service.

### **Selling steps**

The agent needs to apply key basic steps of the selling process while incorporating the legal requirements of selling insurance. Assuming the agent is very familiar with the insurance company they represent (Binding Authority), its product's features and benefits, the sales cycle begins:

#### **Establishing trust and maintaining a rapport**

- Attitude and professionalism  
*A trust must be established between the agent and the client. The client will have confidence in an agent who is organized, thorough and professional. To the client, this agent is a credible and a reliable source of information, services and products.*
- Knowledge  
*The agent needs to be knowledgeable of the client and of the product a client may or could have bought somewhere else. It is important to become fully cognizant of new products on the market as well as the products of the companies represented in the agency.*
- Obligations  
*In some provinces in Canada it may be a professional obligation to recommend insurance to clients.*
- Customer Service  
*Excellent customer service brings repeat clientele. Approach a client with a smile. Ask an open-ended question such as, "How may I help you?"; offering a product that best suits the client's needs; following up on sales; and, if the situation arises, attending to claims in a prompt fashion are all examples of excellent customer service that ensure loyal and satisfied clients.*

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## Qualifying – determining with accuracy the needs of the client (s).

- Determination of Defined Values  
*An accurate assessment of risk both before and after departure must be determined in order to find out how much insurance is required. All the following items must be taken into consideration:*
  - Destination and duration of trip;
  - all costs, penalties, taxes and fees;
  - the number of people traveling under coverage;
  - add-ons;
  - and any other travel arrangements not booked through the agent.
- Determining the client's needs  
*Through the use of open-ended questions, active listening skills including taking notes, and confirming understanding, the following information may influence coverage, such as:*
  - age;
  - activities at destination;
  - pre-existing conditions.
- Determining Effective dates  
*Based on the information obtained above the agent will determine:*
  - the exact dates of coverage – departure and returning dates;
  - the sums insured to fully cover the risk of loss;
  - the date of issuance of the policy, based on deposit and full payment requirements;
  - expiry dates;
  - and the need for an annual plan, if applicable.
- Sample Questions  
*What is your address?  
Where are you going and for how long?  
What type of activities do you enjoy on such a trip?  
What is your date of birth? Date of birth of other travellers?  
Tell me about your health; The health of other travellers.  
Do you know of any reason that will prevent you from travelling?*

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## Recommending the appropriate policy with clarity.

- Features and Benefits

Feature: *A prominent or distinctive aspect, quality, or characteristic.*

Benefit: *An advantage: something that promotes or enhances well being.*

*Although an insurance policy may offer a distinctive benefit, such as an emergency phone line, it is the benefit to the client, the peace of mind, knowing they can speak to someone in their own language if they need help, that will sell the insurance policy. A benefit usually answers the following question for the client: “What’s in it for me?”*

*The client may also perceive a benefit as a **Return on Investment**. In the case of insurance, the “Return” is not in the form of interest on dollar invested. Rather, the premium assures peace of mind based on the comforting thought that in case of an emergency, help is available and huge costs are taken care of by the insurance company.*

- Exclusions

*As most insurance policies can be fairly complex, the agent needs to explain clearly to the client the exclusions stipulated in their policy. These exclusions may preclude coverage in the case of pre-existing medical conditions, residency requirements...etc*

- Interaction of Other Insurance

*The agent needs to be aware of other types of coverage including provincial plans as well as private plans. They need to be familiar with various forms and interactions with other insurance coverage offered by credit card companies and other financial institutions.*

- Beneficiaries

*If other than estate, the agent needs to inform the client of procedures and implications of choosing a beneficiary.*

## Preventing and addressing objections

- Opportunity when objections are raised

*Objections are opportunities for the client to express unanswered questions and uncertainties. In fact, without them, the agent is likely not **engaging** the client. It's the introduction of an objection that can spark a flow of information that can help the agent further qualify a sales opportunity and better understand the needs of the client. For this reason, it is important to understand the true objections expressed.*

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*Here is a list of the most common objections faced by agents selling insurance:*

**1. lack of perceived value**

**2. lack of perceived urgency**

**3. perception of an inferiority to a *competitive offering***

**4. lack of funds**

□ Prevention

Prevention is part of the preparedness to the sales process. The following approaches may eliminate some of the most common objections. Some of the approaches are actions to be taken prior to the discussion with the client. Others are to be used at the onset of and throughout the conversation with the client.

1) On top of displaying certificates and licenses it is useful to display an example of the costs a typical client may avoid, if properly insured, in case of an emergency. An example is”

Client: 48 years old vacationing in California

Condition: Heart Attack

Hospitalized: 10 days

Premium: CAD \$200 Bundled package

Cost to client who purchased insurance: 0

Cost to client who **did not** purchase insurance: USD \$87,000

2) Have Credit Card companies’ telephone numbers handy for clients to call and verify the coverage offered by their own credit card company, while they are sitting with you.

3) Clients often prefer to hear the total cost of their trip up front, including insurance, rather than a breakdown. Therefore the agent is wiser to add the cost of the premium into the cost of the travel arrangements, before quoting the total cost to the client.

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□ Case scenarios for addressing objections

1) Lack of perceived **value**

**Client:** “This insurance costs too much, I’ll take my chances.”

**Response a):** Breakdown the cost of the insurance to show a daily cost.

**Agent:** “This premium ensures your peace of mind for \$14 per day.”

**Response b)** Re-iterate values and benefits.

**Agent:** “The coverage includes access to worldwide multilingual emergency assistance, 24 hours a day, 7 days a week.”

2) Lack of perceived **urgency**

**Client:** “I’m not sure, I’ll think about it”

**Response:** Re-state stipulations and share your concerns.

**Agent:** “The premium is due upon purchase of your travel arrangements. I strongly recommend this insurance; I would be very uncomfortable letting you travel with the risk of incurring huge financial costs, in a foreign country, in the case of an emergency.”

3) Perception of an inferiority to a **competitive** offering

**Client:** “I don’t need this insurance, my Gold card provides me with all the insurance coverage I need.”

**Response a):** Ask client to verify what the credit card company covers.

**Agent:** “Are you sure your credit card covers trip interruption as well as trip cancellation? Would you like to call them to verify how much coverage they offer?”

**Response b):** Re-iterate values and benefits.

**Agent:** “You don’t have to deal with all the red tape in the event of a claim. The insurance company coordinates payment with the provincial health plans and other insurers.

**Client:** “I am covered by my group plan at work”

**Response a):** Ask client to verify what the group plan covers.

**Agent:** “Are you sure your group plan covers subsistence expenses?”

**Response b):** Re-iterate the value and benefits.

**Agent:** “Coverage is not limited to specified destinations.”

4) Lack of **funds**

**Client:** “This insurance costs too much.”

**Response a):** Remember - Prevention AND Confirm understanding



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**Agent:** “I have already included this amount in the total cost of your trip. Do I understand you correctly that you would like me to review what is included in your package for the cost of the premium?”

**Response b):** Ask the client to sign a waiver.

**Agent:** “I strongly feel that insurance is an essential part of your trip but I respect your choice. May I please ask you to sign this waiver? It stipulates that you have been offered insurance and declined to accept it. I will keep this waiver in your file.”

**Note:** *The concept behind a waiver is to stress the weighty level of responsibility the client is taking by not accepting insurance. It is recommended to have all clients who refuse insurance sign a waiver and to keep these documents on file in case of a dispute in the future.*

### **Closing the sale**

- Evaluating responses and results  
*An agent needs to actively listen in order to recognize buying signals, both verbal and physical. The client may show approval by nodding, leaning forward towards the agent’s desk and smiling. If a client’s general response is positive, it is time to ask for the sale, i.e. “How would you like to pay for these travel arrangements?” On the other hand, a negative response to a trial close may simply indicate a need for further clarifications. It may be necessary to review all of the important points or benefits of the insurance policy before attempting to close again.*
- Affirming decisions  
*It is time well spent for the agent to support the client’s decision, i.e.. “You are making a wise decision.” Affirming decisions helps prevent buyer’s remorse.*
- Issuance of policies  
*Collect the correct premium and process the policy as outlined in the next chapter of this manual.*

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Activity:

Bill and Nancy come to see you in September about a trip to the Mayan Riviera next February. They have never been out of Canada on vacation. Nancy is concerned about health risks in Mexico. What would you say to this objection?

She accepts your explanation and recommendations. Bill would like to rent a car for a day as they have heard about property for sale in Bacalar. What selling opportunity do you have here?

Nancy feels that if they are going to be spending so much on a trip, would they lose all their money if they had to cancel. What would you recommend to Nancy if the trip is 100% non refundable once payment has been made?

They nod their head in agreement after your explanation. They say they will be taking their digital camera with them. What happens if it gets stolen?

They like what you have to say about this insurance. How would you approach selling them all of these insurance plans at the best cost to them?

---

Explain how you would close the sale for both the trip and travel insurance.

Questions:

- |   |          |          |
|---|----------|----------|
| 1. Agents have 'legal obligation' and 'duty-of-care' issues to consider when selling insurance.   | <b>T</b> | <b>F</b> |
| 2. In order to establish trust, confidence and credibility to clients, agents must keep their knowledge up to date of clients and products. | <b>T</b> | <b>F</b> |
| 3. The premiums of the insurance may be included in the total cost of travel arrangements.  | <b>T</b> | <b>F</b> |
| 4. Rapport is established when the client presents their credit card for payment of a travel product, such as insurance.                    | <b>T</b> | <b>F</b> |
| 5. Closing the sale is initiated by the client, not the agent.  | <b>T</b> | <b>F</b> |
| 6. Lack of perceived value is a common objection to purchasing insurance.   | <b>T</b> | <b>F</b> |
| 7. Establishing trust and maintaining rapport is done with excellent customer service.  | <b>T</b> | <b>F</b> |
| 8. Qualifying the client helps you assess the client's travel and insurance needs.  | <b>T</b> | <b>F</b> |
| 9. To offer baggage coverage, a good question to ask is, "Will you be taking a camera with you on this trip?"                               | <b>T</b> | <b>F</b> |
| 10 Insurance premiums can be seen as an assurance to peace of mind should an emergency arise.   | <b>T</b> | <b>F</b> |

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## The Insurance Policy

Key terms: ● Policy

### Introduction

When a client agrees to accept insurance coverage, the licensed agent will issue a policy, which is the contract between your client and the insurance company. The contract effecting insurance, including all clauses, riders, endorsements and renewals between the insured and the insurer who underwrites the policy can be viewed in the wording.

### Contract's

Contracts are entered into in Utmost Good Faith, meaning that all parties to the contract use the highest standards of integrity. The insured and insurer must make full disclosure of all information important to the proposed contract. With regards to insurance it is important that your client is aware of the wording of the policy. This must be done verbally and by presenting the policy to them at the earliest possible opportunity. The insured has a responsibility to read the wording of the policy yet can only do this when the documentation has been given to them.

### Disclosure

The insured has a responsibility to read the entire policy. Simply handing them the policy is not good enough. Direct the insured to the table of contents, pointing out key sections such as, benefits, exclusions, etc.

The insured has a responsibility pertaining to the policy. They must

- I. Keep the policy in a safe place
- II. Take it on the trip for reference and proof
- III. Read the policy to better understand the benefits, conditions and features of the class(es) of insurance purchased.

### Application for Insurance

An application forms part of the policy and outlines insurance coverage. This may be done verbally, in writing or by using a printed form. Whether the policy is hand written or by electronic media. In some cases an application may be reviewed by the insurer. When requested through the electronic media such as a GDS/CRS, a confirmation form must be included in the policy.

Policies normally require the following information about the insured:

Full legal name

- Age
- Address
- Duration
- Point of Departure
- Name of Beneficiary, etc.

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## When to Deliver the Policy to the Insured

Type of Insurance	When
Trip Cancellation/Interruption/Delay	When first payment is made on non-refundable travel plans.
Emergency Medical & Hospital	Prior to departure of planned trip
Baggage Loss or Delay	Prior to departure of planned trip
Accidental Death & Dismemberment	Prior to departure of planned trip
Collision Damage Waiver	Prior to departure of planned trip
Combination Insurance	When first payment is made on non-refundable travel plans.

Of course, the insured must pay for the coverage before a policy is issued. Once this is done the policy must be presented (given) to the insured.

It is important that the insured is aware of all the conditions, benefits, exclusions and features of the policy they have purchased. Give them these details as soon as possible by mail, fax or other method of disclosure.

### Declarations

Once coverage has been granted, those statements made by the insured concerning themselves, their insurance requirements and their past insurance history may be required to be put in writing, signed by the insured, and made a part of the policy called the Declarations. Declarations are written statements, signed by the insured, warranting that information given by the insured is true.

### Exclusions

Insurers put exclusions in policies for the following reasons:

- (a) a more specific and appropriate policy is available. For example, Baggage insurance may have an exclusion stating "property insured under other insurance",
- (b) coverage can be made available but insurer wishes to consider details of applicant's situation. For example, travel medical insurance excluding "injuries received while participating as a professional athlete",
- (c) it would be against the public interest to provide insurance. For example, "...while committing or attempting to commit a criminal offence",
- (d) the exposure is catastrophic in nature and if it occurred, the total claims involved could bankrupt the insurer. For Example: accidental death insurance

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excluding death "caused by war".

### **Conditions and Statutory Conditions**

**Conditions** of an Insurance Policy are General terms or requirements upon which the insurance is based, including such matters as how the policy can be cancelled and what the insured should do in the event of a loss.

**Statutory Conditions** are special prescribed and standardized conditions that the Provincial Insurance Acts require to be included in Fire, Automobile, Life and Accident and Sickness policies.

### **Endorsements, Renewals and Extensions**

**Endorsements** are an amendment added to a written document, particularly an agreement between parties, altering its provisions. The terms and conditions of an insurance policy may be amended by written endorsements that attach to and form part of the policy.

To renew a policy, **Renewal**, is to extend an insurance policy for an additional term. Documentation for the renewal can be either a:

- I. Renewal Certificate that is attached to the expiring policy or
- II. Replacement policy detailing coverage for the coming period.

Under certain conditions policies may be extended. The **Extension** must be done before the expiration of the original policy.

#### **Reminder**

***Give the policy to the insured immediately.***

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Activity:

Using a policy from the insurance company sold in your agency, find the following items and list their page number:

<b>Item</b>	<b>Page number</b>	<b>Item</b>	<b>Page number</b>
Assistance Service Provider		Emergency Medical Coverage Benefits	
Baggage Benefits		Emergency Medical Coverage Exclusions	
Baggage Exclusions		Flight Accident Benefits	
CDW Benefits		Summary of Coverage	
Definitions		Travel Accident Benefits	

Questions:

1. A policy can be hand-written or processed through the computer. **T** **F**
2. Utmost Good Faith means that all parties to the contract of insurance use the highest standards of integrity. **T** **F**
3. Renewal or Extending a policy can be done after the original policy has expired. **T** **F**
4. Trip Cancellation insurance can be purchased up to and including the day of departure of the planned trip. **T** **F**
5. An endorsement on an insurance policy is amendment added to a written document altering its provisions. **T** **F**

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## The Claims Process

- Key Terms:
- Claim
  - Claimant
  - Co-insurance
  - Co-ordination of Benefits
  - Declarations
  - Deductible
  - Indemnify
  - Notice of Loss
  - Proof of Loss
  - Proximate Cause
  - Prescription Period
  - Replacement
  - Subrogation

A claim is a demand by an insured to be indemnified (paid) by or receive benefits from his insurer for loss(es) suffered. This is any notification of a possible loss under an insurance policy whether any payment is likely to follow or not. For every claim that is reported, the insurer must set aside reserves equal to the dollar value that it is anticipated the claim will cost.

Claims usually are done by the insured; however, consultants may wish to help their clients. The process is fast and easy as long as the insured follows the instructions from the insurer. Claims require the insured to submit all necessary support with the claim form and the claim is done in a timely fashion. If not, there could be penalties or even having the claim refused.

### Medical Claims

When emergency medical & hospital treatment/surgery is required, the insurer must be notified within reasonable amount of time as outlined in the Assistance Service chapter of this manual. If the medical treatment was paid locally by the insured, the claim must be submitted within 90 days after the treatment was received.

For medical claims, any Provincial Health Plan coverage portion of a claim is processed by the insured. The insured would send the claim to their provincial plan coverage first, including all receipts, before going to the travel insurance provider for a claim. If there is still an outstanding amount, this would be claimed to the travel insurer.

### Notification of Claim

Depending on the type of coverage that the claim will be made for, notification & documentation will always be necessary. The insured should contact the insurer, their travel counsellor, hotel personnel, airlines, etc, to limit the loss and receive documentation so that they can proceed with the claim.



## Support Documentation

Support documents that could be required with a claim:

Required Item	Cancellation and Trip Interruption	Emergency Medical Coverage	Accident Insurance	Baggage & Personal Effects
Completed Claim Form	X	X	X	X
Medical Questionnaire	X	X		
Medical Certificate from legally qualified physician, or diagnosis of treatment received including medical records, death certificate, coroner's report	X	X	X	
Cause of Cancellation in writing	X			
Unused Transportation Documents and Vouchers	X			
Receipts for Prepaid Land Arrangements	X			
Subsistence Allowance	X			
Receipts for New Transportation Tickets	X			
Reports from Local Authority Documenting Cause including Police, coroner	X		X	
Invoices Receipts for Risk Covered	X	X		
Proof of payment from Other Insurers		X		
Proof of Loss				X

This chart is for example purposes only.

The insurer will verify and investigate the proximate cause, notice of loss and proof of loss for the claim.

### Submission of Claim

Your clients should review the policy section on Claims before a submission is made and contact a claim representative if they have any questions so that this can be a fast process.

Travel counsellors can help with the process by assisting the insured. This would be by providing information on non-refundable amounts; documents needed by the insurer and explain the claim process.

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## Claim Terminology

Some key Claim terminology:

Term	Explanation
Co-insurance	<p>A condition included in some emergency excess out of Province hospital and medical insurance policies. Co-insurance is a means of controlling claims and makes the insured a partner in the insurance arrangement. With co-insurance the insured is responsible for a proportion of the eligible expenses incurred (this is not to be confused with the deductible amount).</p> <p>Example: a particular policy will reimburse the insured 80% of his hospital and medical expenses while the insured remains personally responsible for the other 20%.</p>
Coordination of Benefits	<p>Where two insurers are on the same risk, one insurer coordinates with the other to pay the claim under the benefits payable under the respective policies. Usually a 50/50 arrangement when benefits are equal.</p>
Deductible	<p>An agreed specified sum to be deducted from the amount of loss and assumed by the insured.</p>
Notice of Loss	<p>A condition contained in every insurance policy requires any person sustaining a loss, insured by the policy, to give notice to the company of such loss. Each policy's notice of loss condition will state how quickly such notice must be given. This can vary from "immediately", the usual requirement, to "as soon as practicable". Notice must be in writing and failure to give the required notice can be held as a bar to recovery under the policy.</p>
Prescription Period	<p>In law, a limitation of time within which legal action can be taken by a claimant. In insurance, the period of time in which a claim must be brought by the policyholder, generally 12 months from date of loss for travel insurance.</p>

Term	Explanation
Proof of Loss	A formal written and notarized statement made by an insured to his insurer regarding a loss. It is intended to give information to the insurer to enable it to determine the extent of its liability. As this statement is sworn by the insured to be true, it can become evidence in court against the insured should the claim prove fraudulent or exaggerated and be denied by the insurer. Once a notarized proof of loss form is filed with the insurer, the insurer has 60 days to respond by accepting the claim, denying the claim or making a counter offer. If it does not respond within the 60 day period, the claim is payable as submitted on the proof of loss and a court will enforce payment.
Proximate Cause	The true and effective cause of loss. The first event in an unbroken chain of events leading directly to the loss. Claims are only payable under a policy if the proximate cause of the loss is a covered risk. Example: the sickness of a travelling companion is a covered risk, but suicide of the insured is not.
Replacement	Most policies insuring property give the insurer the right to substitute other property of like kind and quality, for insured property that has been damaged or destroyed. This is making a replacement. Baggage and personal effects policies contain this provision.
Subrogation	The insurer, upon making a payment or assuming liability therefore to indemnify the insured under a contract of insurance, is subrogated to all rights of recovery of the insured against any person, and may bring action in the name of the insured to enforce such rights. Example: a travel medical insurer having paid an insured's medical expenses arising from an automobile accident in California may attempt recovery from the driver of the other automobile involved, if that other driver was responsible for the accident.

Reimbursement of claims is dependent on the type of claim made, what needs to be investigated and verification that all procedures were followed.

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Activity:

Using your agencies insurance claims information, answer the following questions as if you are the insured:

What should I do and what will happen if I have to be hospitalized?

If I have been air evacuated, will I be able to resume my vacation once I get better?

When should I submit my claim?

Why do I have to complete the Provincial Health claim forms?

Why do I need to submit the original receipts?

Questions:

- |   |          |          |
|---|----------|----------|
| 1. All claims must be processed within a reasonable amount of time.   | <b>T</b> | <b>F</b> |
| 2. A medical certificate signed by a qualified physician must be included with a loss of baggage claim.   | <b>T</b> | <b>F</b> |
| 3. Proof of loss means a formal written statement made by an insurer to the insured regarding the cost of the premium.  | <b>T</b> | <b>F</b> |
| 4. Co-insurance is a means of controlling claims and makes the insured a partner in the insurance arrangement and the insured is responsible for a proportion of the eligible expenses incurred.  | <b>T</b> | <b>F</b> |
| 5. Subrogation is when the insurer, upon making a payment or assuming liability to indemnify the insured under a contract of insurance, gives all remaining rights of recovery of the insured against any person, and may bring action in the name of the insured to enforce such rights. | <b>T</b> | <b>F</b> |

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# Review

## Section 1

### General Knowledge

- 1) Why would a client need Trip Cancellation & Trip Interruption Insurance?
  
- 2) If your travelling companion's niece falls ill, causing your travelling companion to cancel the trip do you still need to travel? Explain answer.
  
- 3) Would a pregnant lady who experienced complications within the last few weeks to birth be covered if she would cancel because of that reason?
  
- 4) I have made plans to go to Tahiti next March. Two weeks before I am to leave I get called to jury duty. Would cancellation insurance cover me?

### Emergency Excess Out of Province Hospital & Medical Insurance:

- 1) What is the name of BC medical plan?
  
- 2) What is the maximum payment for hospital charges for treatment outside BC?

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**Assistance and Repatriation Service:**

- 1) Assistance service is \_\_\_\_ considered insurance and is usually provided by a \_\_\_\_\_ company.
- 2) What are the normal hours of operations:
  - a) 6AM to 6PM
  - b) 9AM to 5PM
  - c) 24 hours a day
  - d) weekdays only
- 3) How much extra does this cost?

**Baggage and Personal Effects Insurance:**

- 1) Who needs it?
- 2) What must the insured do when theft occurs?

**CDW:**

- 1) If you have a "gold" credit card or felt the cost for CDW is too expensive, do you still need to purchase it?

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## Section 2

- 1) The term sickness, for insurance purposes, means:
  - a) staying in bed because you have a cold
  - b) needing hospital care arising from an unforeseen accident
  - c) an illness or disease not arising from accident or injury
  - d) having a doctor state you are unfit for travel whether it's true or not
  
- 2) The term exclusions, for insurance purposes, means:
  - a) Risks, perils or property defined in the policy as covered
  - b) Risks, perils or property defined in the policy as not covered
  - c) Risks, perils or property you can take with you around the world
  - d) a resort that includes all meals, beverages & tips but not insurance
  
- 3) Which of the following is not covered by Emergency Excess out of Province Hospital and Medical Insurance:
  - a) prescribed drugs or medicine
  - b) necessary air, land or sea ambulance to the nearest hospital
  - c) rental of crutches or hospital type bed
  - d) elective open heart surgery
  
- 4) Trip cancellation and trip interruption insurance must be purchased:
  - a) Usually at the time initial deposit is paid for the insured trip
  - b) Always prior to the date when cancellation penalties come into effect.
  - c) At time of deposit or full payment, which ever comes first
  - d) all of the above
  
- 5) Payment by the BC Provincial plan for hospital charges will not exceed \_\_\_\_\_.
  - a) \$75.00 Canadian per day for adults
  - b) \$75.00 US per day for adults
  - c) \$75.00 Canadian per day per person
  - d) \$75.00 Canadian per day for children
  
- 6) Premiums collected from the insured, by an agent, are to be held in a:
  - a) bank account and payable in full to the insurer when they will become due
  - b) bank account until a claim has been made
  - c) personal bank account and payable in full to the insurer when they become due
  - d) bank account and payable in full to the insurer, less commissions, when they become due

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- 7) Under "Automatic Extention ", coverage will be automatically extended for a maximum of \_\_\_\_\_ in the event of either the delayed arrival of a common carrier or after being released from hospitalization:
- a) 48 hours
  - b) 72 hours
  - c) 96 hours
  - d) one week
- 8) Which of the following is covered by travel insurance "Collision Damage Waiver":
- a) Your clients car when they need coverage in between ICBC payments.
  - b) When renting an automobile on a short-term basis from a rental company.
  - c) When renting high value, exotic or antique vehicle.
  - d) When needing coverage while borrowing a friend's motor vehicle.
- 9) Comprehensive Trip Package Insurance is:
- a) bought by Travel Agents for their agencies
  - b) sold by Travel Agents to their customers
  - c) none of the above
  - d) a & b
- 10) Comprehensive Trip Package includes the following:
- a) Assistance Services
  - b) Baggage & Personal Effects
  - c) Accidental Death & Dismemberment
  - d) Trip Cancellation & Trip Interruption
  - e) All of the above
- 11) Other Travel Coverage sold by Agents is:
- a) Collision Damage Waiver
  - b) Accidental Pregnancy and loss of job
  - c) Visitors to Canada Primary Hospital & Medical Insurance
  - d) A & C



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### Section 3

Unscramble the insurance phrases/titles:

LINCLOOSI MAADGE RIVEWA
PHESINVEMCMO PRTI CKPGEAA
GCYMREEN PLTIHSA & DLAMCEDI
SITCEAASSN & NTRREPIOAAT
DANCCLATIE EADHT & TMMMEESDIERB
ITOVSR OT ADACNA
RITP LLACACTNIOE & NIOITNERRPIONU

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## Section 4

Explain each of the following insurance terms.

ACCIDENT

BENEFICIARY

BENEFITS

CLAIM

COVERAGE

DEDUCTIBLE

DEFINITIONS

LIMITATIONS/

EXCLUSIONS

POLICY

PREMIUM

TERM

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## Insurance Definitions

Definitions used in this Manual come from various insurers.

### A

**Accident** (1) An unusual, fortuitous, unexpected or unforeseen event or occurrence. (2) A mishap that is not expected or designed.

**Accidental Death Benefit** An amount of insurance, stated in the policy, that is payable when the proximate cause of death is accidental in nature, e.g. death by heart failure resulting from an automobile accident would be considered an accidental death.

**Age Limits** Minimum or maximum ages established by insurers for eligibility for certain kinds of insurance offered, typically life, health and disability insurance.

**Agent** A person who is employed to act on behalf of another.

**Aggregate Limit Clause** When included in a travel insurance policy, it restricts the amount the insurer will pay to (1) a set maximum per insured, say \$500,000, under all policies of that insurer covering that insured or (2) a set maximum for all persons insured, say \$15,000,000, under all policies they issued that are involved in one accident, e.g. an airplane crash.

**Applicant** The person or firm requesting coverage.

**Application** A request for insurance. This may be done verbally, in writing or by using a printed form and becomes part of the insurance contract.

**Application Date** (applicable to Trip Cancellation & Interruption and All-Inclusive Package Plans only) is deemed as the date the Insured purchases this insurance in conjunction with the initial non-refundable costs associated with booking their trip.

**Assignment** The signed transfer to another party by the insured of his/her right to collect policy benefits or claim payments.

**Assistance Service** An organization providing assistance by long distance telephone (1) advising travellers where and how to obtain medical treatment, including arranging for an interpreter if necessary; (2) verifying medical insurance coverage and payment procedures for the treating hospital and physician; (3) advising the insured's family physician and family; (4) monitoring the appropriateness and cost of treatment provided; and (5) repatriation: (a) arranging return of the patient to his home Province for continuing treatment should that be considered cost-effective or (b) in the event of death of the insured arrange homeward carriage of the body or cremation or burial at place of death.

### B

**Baggage and Personal Effects Insurance** Often forms part of a Travel Insurance package policy where coverage is excess over that provided by others.

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**Beneficiary** In life and accidental death insurance, the person designated by the insured to receive policy proceeds, in the event of the death of the insured.

**Benefits** Included in insurance policies to (1) pay stated amounts of money upon the happening of specified events, e.g. \$1,000 for the accidental loss of one foot, and may bear no direct relationship to the true value of the loss; (2) limit the maximum amounts payable for specified services, e.g. \$50 maximum for ambulance service. Care needs to be taken to ensure the limits provided are sufficient to pay for likely service charges.

**Binder\*** A written or oral agreement given by an insurer or the insurer's agent to insure a risk, pending the issue of the policy wording. A binder is deemed to be the policy and is subject to all the terms and conditions of the policy.

**Binding Authority** An agreement between an insurer and an agent under which the agent may, in accordance with the terms of the agreement, sell and accept risks on behalf of & for the insurer.

**British Columbia Ministry of Health** Administers medical coverage through the **Medical Services Plan** and hospital insurance through the **Hospital Care Division**. Medical coverage, but not hospital insurance, is subject to registration and payment of premiums. For unexpected treatment outside Canada, payment for physicians' services will not exceed the amount payable had the same treatment been provided in British Columbia and payment for hospital charges will not exceed \$75.00 Canadian per day for adults.

## C

**Cancellation Penalties** Non-refundable prepaid charges that become the responsibility of an intended traveller should he cancel his trip prior to the date of planned departure. These charges are insurable by trip cancellation insurance which will indemnify the intended traveller should the trip be cancelled due to any one of a list of causes stated in the policy, e.g. sickness of the insured or death of a close friend. Trip cancellation insurance must be purchased before cancellation penalties come into effect.

**Carrier** Another name for insurer, the organization underwriting insurance coverage.

**Certificate of Insurance** Written document stating that insurance is in effect; includes a general statement of policy's coverage but not all the details or conditions.

**Claim** A demand by an insured to be indemnified by or receive benefits from his insurer for loss suffered. In practice, it is any notification of a possible loss under an insurance policy whether any payment is likely to follow or not.

**Claimant** An insured person who makes a claim after suffering a loss.

**Claims Ratio** The percentage of premiums that are taken up by claims. A key statistic used by insurers to assess profitability of their underwriting and performance of their producing agents.

**Co-insurance** A condition included in some emergency excess out of Province hospital and medical insurance policies. Co-insurance is a means of controlling claims and makes the insured a partner in the insurance arrangement. With co-insurance the insured is responsible for a proportion of the eligible expenses incurred (this is not to be confused with the deductible amount).

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**Collision Damage Waiver** When renting an automobile on a short term basis, the rental agreement states that the customer agrees to return the vehicle in the same condition as he received it and if not, shall pay for all loss or damage to the vehicle and the related expenses of the rental company including their loss of rental income while the vehicle is out of commission. For an additional daily charge, the rental company will agree to waive this responsibility, except in cases where the customer has violated any of the terms of the agreement, e.g. car is damaged while being driven on a private road.

**Commission** Compensation based upon the amount of production, e.g., insurance agents are compensated on the basis of a percentage of the premium. The percentage varies with different lines of insurance.

**Common Carrier** One who offers to transport passengers or merchandise for hire and must deal with anyone who wishes to use the services.

**Conditions of an Insurance Policy** The general terms or requirements upon which the insurance is based, including such matters as how the policy can be cancelled and what the insured should do in the event of a loss.

**Consideration** The inducement to a contract; the cause, motive or price which induces a contracting party to enter into an agreement. It is an essential part of a binding contract. The money, or whatever, paid for the contract is the "consideration", e.g. the premium for an insurance policy.

**Contract of Insurance (6 essential elements)** (1) Offer and acceptance, (2) consideration, (3) legal object, i.e. purpose of the insurance must not be illegal, (4) parties to the contract must be legally capable of contracting, (5) insurable interest, and (6) utmost good faith.

**Coordination of Benefits** where two insurers are on the same risk, one insurer coordinates with the other to pay the claim under the benefits payable under the respective policies. Usually a 50/50 arrangement when benefits are equal.

## D

**Declarations** Statements, signed by the insured, warranting that information given by him is true.

**Deductible** An agreed specified sum to be deducted from the amount of loss and assumed by the insured.

**Default Insurance** Covers the risk that a travel supplier, e.g. tour operator, travel wholesaler, ground transporters, airline, or accommodation facility, ceases doing business as a result of bankruptcy or insolvency and is not able to honour prepaid travel arrangements. Default insurance provides (a) reimbursement of non-recoverable deposit when default is prior to scheduled departure and (b) fare for alternate return travel arrangements when default is after departure but prior to scheduled return. Not required for airlines or tour operators registered in British Columbia due to existence of Provincial Government mandated plan to raise required funds through assessment of travel industry members. Can be purchased to cover default of travel suppliers NOT REGISTERED in British Columbia, e.g. some Australian tour operators, but always EXCLUDES default of any United States air carrier unless part of a package tour. Automatically

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provided by some insurers' Trip Cancellation and Trip Interruption insurance arrangements.

**Departure Point** The province, territory or country the insured departs from on the first day of the insured's intended travel period

**Disability** Inability to carry on in one's normal occupation due to accident or sickness;

- a) **Partial Disability** injured party's earning capacity is impaired, but he is able to work at reduced efficiency or in a different job situation;
- b) **Total Disability** injured party is not able to work at any gainful employment;
- c) **Permanent Disability** injured party's earning capacity is impaired for life.

**Dismemberment** Loss of a limb or eyesight, e.g., leg, arm, finger or eye.

## E

**Effective Date** The date of inception of an insurance policy, or the date additional coverage become effective. The Trip Cancellation section of a Travel Insurance package policy becomes effective when the policy is purchased while the emergency excess out of Canada hospital and medical insurance section becomes effective at the scheduled date of departure from Canada.

**Elective (non-emergency) Treatment or Surgery** When ordered by a treating physician, is covered in British Columbia by the Provincial plans. Should such treatment be obtained outside the Province, the British Columbia attending physician must obtain prior approval in writing before the Provincial plans will respond for payment. Even with approval, travel and accommodation remain the responsibility of the patient. Travel insurance providing emergency excess out of Canada hospital and medical insurance excludes elective treatments and surgery.

**Eligible Expense** Expenses covered by medical insurance. Which expenses are covered, and to what extent, varies from one insurance program to another.

**Emergency** an unforeseen illness or injury which requires immediate Treatment to prevent or alleviate existing danger to life or health. An Emergency no longer exists when the medical evidence indicates that the person is able to continue the trip or return to his or her province or territory of residence.

**Endorsement** An amendment added to a written document, particularly an agreement between parties, altering its provisions.

**Errors and Omissions Insurance** means an undertaking by an insurer to pay on behalf of an insured sums which the insured is legally obligated to pay as damages because of any act, error or omission of the insured, or of any other person for whose acts, errors or omissions the insured is legally responsible, and arising out of the performance or intended performance of professional services for others, or failure to perform professional services for others that ought to be performed by the insured.

**Excess Hospital and Medical Insurance** Coverage provided for expenses not covered by Provincial Hospital and Medical Plans. Most forms of Out of

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Province Excess Hospital and Medical Insurance do not provide coverage until the Provincial and any private Group supplemental coverage that might apply have been exhausted. Generally, if the Provincial coverage does not apply to a given situation then the Excess Hospital and Medical Insurance does not provide coverage either.

**Exclusions** Risks, perils or property defined in the policy as not covered.

**Expected Medical Treatment** Medical consultation or hospitalization that has been shown, by prior medical history, as probable or certain to occur

**Expiry Date** The date on which the insured's coverage ends. (RBC)

**Extended Health Care Insurance** Generally sold on a group basis, provides coverage for services not included in the Provincial hospital and medical plans, e.g. semi-private room accommodation, special duty nursing. It may provide coverage outside Canada to pay hospital and medical charges beyond the level paid by the Provincial plans.

**Extended Coverage After Policy's Stated Termination Date** Travel insurance policies usually contain a benefit that coverage will be automatically extended in the event of (1) the delayed arrival of a common carrier, for a period up to 72 hours, or (2) hospitalization of the insured, for the period of hospital confinement plus a further 72 hours after release.

F

G

**Group Insurance** A number of persons are insured under a single policy called a *Master Policy* which is issued to the group sponsor. Those insured must have something in common other than just the purchase of insurance.

H

**Hospital** An institution licensed and accredited as a hospital which has rooms for resident inpatients, a laboratory, registered graduate nurses always on duty and an operating room where surgical operations are performed by a physician or surgeon.

**Hospital Benefits** Amounts defined in a policy as payable for charges incurred while the insured is confined to or treated in a hospital.

I

**ICBC** The Insurance Corporation of British Columbia is a Provincial Crown Corporation providing automobile insurance to any vehicle licensed in British Columbia.

**ICBC Accident Benefits Coverage** Applies to British Columbia residents while driving or riding in British Columbia licensed vehicles in Canada or the United States. Coverage includes (1) up to \$150,000 for medical and rehabilitation expenses, (2) if disabled, modest weekly payments, (3) up to \$5,000 death benefit, and (4) up to \$2,000 funeral expenses. When a British

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Columbia resident is injured in an automobile accident in the United States and is insured by both ICBC and a policy providing emergency excess out of Canada hospital and medical insurance, then duplicate insurance applies and the insurers must resolve the amounts payable between themselves in accordance with their "other insurance" conditions.

**Immediate Family** This includes the insured's legal or common-law spouse, their children and any individual for whom the insured is a legal guardian. May include insured's grandparent, parent, step-parent, brother, sister, step-brother, step-sister, aunt, uncle, niece, nephew, grandchild, in-law, legal guardian. May even include insured's business partner.

**Indemnify** To provide compensation for loss or expenses incurred.

**Injury** means any accidental bodily injury resulting in loss independently of sickness and of all other causes.

**Insurability** Following from the Law of Large Numbers, certain characteristics must be present before an insurance program can be established: (1) a large group of similar exposure units must be involved, (2) losses that occur must be readily identifiable and difficult to fraudulently simulate, (3) individual losses must occur unexpectedly, (4) the potential loss must be great enough to cause hardship, if uninsured, (5) the premium rates must be calculable from statistics or experience, (6) the premiums must be affordable, (7) only a few insureds must be likely to suffer loss at the same time.

**Insurable Interest** An interest which the insured must have in the subject matter of the insurance he buys so that if the event insured against occurs, the insured will suffer a pecuniary loss.

**Insurance** A contract in which one party, the insurer, for monetary consideration agrees to reimburse another, the insured, for loss or liability for a loss on a defined subject caused by specified hazards or perils.

**Insurance Council of British Columbia** The Council is a self-regulatory organization established under the Financial Institutions Act. The Council is made up of eleven Council Members appointed by the Minister of Finance. The Council has the authority to license persons intending to undertake the business of life and general insurance agents and adjusters. The Council also has the authority to investigate any complaints about a licensee and, where necessary, take disciplinary action.

**Insured** (1) Being protected by an insurance policy, or (2) the individual, partnership, corporation, estate or joint venture whose risk of financial loss is protected by an insurance policy.

**Insured Trip** means prepaid travel arrangements contracted for by the insured with specified destinations, dates and times of arrival and departure for which travel insurance has been arranged and the premium paid.

**Insurer** An organization underwriting insurance coverage.

J

K



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**Key Employee** an employee whose continued presence is critical to the ongoing affairs of the business during the insured's absence.

L

M

**Material Fact** Something affecting a contract of insurance important enough to change the agreement between the company and the policyholder. Material facts must be disclosed if asked about. Failure to do so may result in a voiding of the policy involved.

**Medical Treatment** Any therapeutic or diagnostic measures whether in the form of prescribed medication, investigative testing, hospitalization, or other treatment directly referable to the patient's condition.

**Misrepresentation** An incorrect statement made about a material fact. Misrepresentation can be innocent, arising from an oversight, or be fraudulent, arising from a deliberate untruth with intent to deceive, or be the result of extreme carelessness where a statement is made without regard to whether it is true or false. When a misrepresentation is discovered, the insurer may either continue the contract or treat the contract as void with a full return of any premiums paid.

N

**Notice of Loss** A condition contained in every insurance policy that requires any person sustaining a loss insured by the policy to give notice to the company of such loss. Each policy's notice of loss condition will state how quickly such notice must be given. This can vary from "immediately" to "as soon as practicable". Notice must be in writing and failure to give the required notice can be held as a bar to recovery under the policy.

O

P

**Physician** A medical practitioner currently licensed in the location where he or she provides medical treatment.

**Policy** Legally binding contract effecting insurance, including all clauses, riders, endorsements and renewals.

**Policyholder** The insured. Individual, partnership, corporation, joint venture, receiver or estate or some combination thereof who are protected by an insurance policy and are responsible for paying the premium.

**Policy Limits** The amounts for which insurance is effected and on which the premium is based.

**Policy Term** Duration of policy, most often one year in the case of property insurance, often six months for automobile insurance and generally from date of booking to end of the journey for trip cancellation and interruption insurance.

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**Precedent to Liability** this is referring to a condition or circumstance that an insured is aware of that exists before they purchase the insurance and that condition or circumstance is the cause of loss.

**Pre-existing Condition** a medical condition for which Treatment (as defined in this policy) has been received or taken, or which exhibited symptoms, prior to the trip in question and within the period specified in this policy, and includes a medically recognized complication or Recurrence (as defined in this policy) of a medical condition.

**Premium** The cost for insurance protection by a policy for a specified period of time.

**Premiums Held by an Agent** Premiums collected from insureds are held in a bank account by an insurance agency on behalf of an insurer to whom the premiums will become payable. Such monies are held for the benefit of the insurer and must not be used for the agency's own purposes, except as might be agreed to in the agency agreement with the insurer, e.g. agency may retain bank interest earned on the account. When payable, such monies are payable in full to the insurer other than any deduction which the agency is entitled to receive by agreement with the insurer, e.g. commission.

**Primary Hospital and Medical Coverage** Covers from the first dollar, perhaps after a deductible. This primary coverage is provided to British Columbia residents exclusively by the Provincial Ministry of Health's Medical Services Plan and Hospital Care Division, except for a three month waiting period upon initial arrival in the Province.

**Principal Sum** The amount paid by an accidental death and dismemberment insurance policy in the event of the accidental death of the insured or double dismemberment or complete loss of eyesight. Policy will pay percentages of the principal sum for other stated occurrences, e.g. 50% of the principal sum for the loss of sight in one eye, 25% for the loss of one foot.

**Proof of Loss** A formal written and notarized statement made by an insured to his insurer regarding a loss. It is intended to give information to the insurer to enable it to determine the extent of its liability. As this statement is sworn by the insured to be true, it can become evidence in court against the insured should the claim prove fraudulent or exaggerated.

**Proximate Cause** The true and effective cause of loss. The first event in an unbroken chain of events leading directly to the loss.

## Q

## R

**Rate** The price for \$100 or \$1,000 insurance coverage, expressed in dollars and cents, e.g. if \$0.35 per \$100 or \$3.50 per \$1,000, then the premium for \$100,000 coverage is \$350.00

**Recurrence** the appearance of symptoms caused by or related to a medical condition which was previously diagnosed by a Physician (as defined in this policy) or for which Treatment (as defined in this policy) was previously received.

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**Renewal** The extension of an insurance policy for another term. Documentation for the renewal can be either a Renewal Certificate to be attached to the expiring policy or a replacement policy detailing coverage for the coming period.

**Repatriation** Emergency excess out of Canada hospital and medical insurance policies contain benefits that (1) at the insurer's request and with the attending physician's approval, the insurer will arrange and pay for return of a hospitalized insured to a hospital in Canada; (2) in the event of death of the insured due to a covered injury or sickness, the insurer will pay towards homeward carriage of the body or for cremation or burial at the place of death, subject to a specified maximum amount, e.g. \$3,000.

**Replacement** Most policies of insurance of property give the insurer the right to substitute other property of like kind and quality for insured property which has been damaged or destroyed. This is making a replacement.

**Reserve** Funds which are set aside by an insurer for the purpose of meeting obligations as they fall due. Such obligations would include liabilities for unearned premiums and the estimated costs of unpaid claims.

**Return Date** The date that the insured is scheduled to return to their departure point.

**Risk** (1) The potential for loss. (2) The subject matter of an insurance policy.

## S

**Sickness** An illness or disease not arising from accident or injury.

**Statutory Conditions** Special prescribed and standardised conditions that the Provincial Insurance Acts require be included in Fire, Automobile, Life and Accident and Sickness policies other than Group Insurance contracts. Statutory Conditions issues are:

(1) what constitutes a contract of insurance and how it may be altered, (2) material facts and misrepresentation, (3) termination of the policy by either the insured or the insurer, (4) notice and proof of claim, (5) when claims monies are payable, (6) the time within which a claim may be made against the insurer and (7) how written notice may be given by either the insured or insurer to the other.

**Subrogation** The insurer, upon making a payment or assuming liability therefore to indemnify the insured under a contract of insurance, is subrogated to all rights of recovery of the insured against any person, and may bring action in the name of the insured to enforce such rights.

**Subsistence Allowance** Emergency excess out of Canada hospital and medical insurance policies usually contain a benefit that if an insured becomes totally disabled, an allowance not to exceed some stated amount, e.g. \$1,000, is payable for reasonable board and lodging, essential telephone calls and taxi fares incurred by the insured or other insured travelling companion remaining with the insured during the period of his disablement.

**Sum Insured** The amount for which insurance is effected and the one on which the premium is based.

## T

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**Travelling Companion** Under a travel insurance policy, is an insured person who has pre-paid shared accommodation or transportation with the insured.

**Trip Cancellation Insurance** Provides coverage from the time the trip is booked with initial deposit up to and including time of scheduled departure. Usually purchased at the time initial deposit is paid for the insured trip. Must be purchased before the date when cancellation penalties come into effect, e.g. 60 days prior to departure. Will reimburse insured for non-refundable pre-paid travel charges in event insured cancels trip due to insured cause, e.g. sickness of the insured. Also provides for catch-up costs should departure be missed due to insured cause, e.g. road closure.

**Trip Interruption Insurance** Provides coverage from the time trip commences until insured returns home. Will reimburse expenses caused by return forced earlier or later than scheduled if due to insured cause, e.g. sickness of travelling companion.

## U

**Underwrite** (1) To insure. (2) To scrutinize a risk and decide on its eligibility for insurance.

**Underwriter** (1) The insurer that insures a particular risk. (2) The individual within an insurer whose responsibility it is to accept or reject business in the particular line in which he/she specializes and in this way chooses risks his/her principals are prepared to underwrite.

**Utmost Good Faith** The basis of all insurance contracts, calling for the highest standards of integrity on the part of the insured and the insurer. Both parties to the contract are bound to exercise good faith and do so by a full disclosure of all information material to the proposed contract.

## V

## W

**Waiver** The intentional relinquishment of a known right. A waiver under a policy is required to be clearly expressed and in writing.

## X

## Y

## Z

---

## True or False Question Answer Key

### Preface (page 12)

1. True
2. True
3. True
4. True
5. True
6. True

### Need for Insurance (page 16)

Death = *Personal*  
Default of Travel Supplier = *Property*  
Flight Delay = *Property*  
Loss of Baggage = *Property*  
Rental Car Damage or Theft = *Property*  
Sickness = *Personal*  
Trip Cancellation = *Property*

1. True
2. True
3. True
4. True
5. False

### Insurance Industry People (page 18)

1. False
2. True
3. False
4. True
5. True
6. True

### Essential Elements of Insurance (page 21)

1. True
2. False
3. True
4. True
5. True
6. True

### Insurance Business (page 25)

1. True
2. False
3. True

- 
4. True
  5. False

Classes of Insurance (page 27)

1. True
2. True

Trip Cancellation, Interruption & Delay (pages 38 & 39)

1. True
2. True
3. True
4. True
5. True
6. True
7. False
8. True
9. True
10. True
11. False
12. False
13. True
14. True

Default of Insurance  
Activity only.

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Emergency Medical Coverage (pages 49)

1. True
2. False
3. False
4. False
5. False
6. True
7. True
8. False
9. True
10. True
11. True
12. True

Baggage & Personal Effects Insurance (page 51)

1. False
2. True

Accident Insurance (page 54)

1. False
2. True
3. False
4. True
5. True

Automobile Rental Insurance (page 57)

1. False
2. False
3. False

Visitors to Canada (page 60)

1. False
2. False
3. True
4. True
5. True

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Combination or Bundle Insurance (page 62)

1. False
2. True

Insurance Agents' Responsibility and Restrictions when Selling Insurance Activity only

Selling Travel Insurance (page 73)

1. True
2. True
3. True
4. False
5. False
6. True
7. True
8. True
9. True
10. True

Insurance Policy (page 77)

1. True
2. True
3. False
4. False
5. True

The Claims Process (page 82)

1. True
2. False
3. False
4. True
5. True



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## Review Answer Key

### Section 1

#### General Knowledge:

- 1) Those who purchase non refundable travel services
- 2) No, covered under Immediate Family and Travel Companion
- 3) No, pregnancy
- 4) Yes

#### Emergency Excess Out of Province Hospital & Medical Insurance:

- 1) BC Medical Services Plan
- 2) CAD75.00 per day per adult

#### Assistance and Repatriation Service:

- 1) Assistance service is not considered insurance and is usually provided by a Specialty Assistance company.
- 2) 24 hours a day
- 3) Free, as part of purchasing Emergency Excess Medical...

#### Baggage and Personal Effects Insurance:

- 1) Traveller without homeowners, tenants or Condominium Insurance.
- 2) Report to the local police and obtain a written report

#### CDW:

- 1) No, it is optional

### Section 2

- 1) C
- 2) B
- 3) D
- 4) D
- 5) A
- 6) D
- 7) B
- 8) B
- 9) B
- 10) E
- 11) D

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**Section 3**

COLLISION DAMAGE WAIVER  
COMPREHENSIVE TRIP PACKAGE  
EMERGENCY HOSPITAL AND MEDICAL  
ASSISTANCE AND REPATRIATION  
ACCIDENTAL DEATH AND DISMEMBERMENT  
VISITORS TO CANADA  
TRIP CANCELLATION AND INTERRUPTION

**Section 4**

Answers can be found in the Insurance Definitions chapter.

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