

HEALTH INSURANCE FOR CRUISERS: Making sure you're covered when it counts

A bit over a decade ago, when we circumnavigated aboard *Silk*, most cruisers chose to forego the expense of health insurance. Minor ailments dealt with at local clinics cost next to nothing by American standards. For more major health problems, socialized medicine paid a large part of the bill even for foreign visitors. Today, non-citizens must pay the full cost of health care, and though in most countries that is still a fraction of US costs, self-insurance has become an increasingly risky proposition. But over the last decade a variety of worldwide health insurance programs have been developed for expatriates, and these offer cruisers surprisingly inexpensive health insurance options tailored to their unusual and somewhat idiosyncratic needs.

These health insurance plans vary widely in their benefits, eligibility requirements, covered expenses – and annual premiums. The right plan for you and your crew will cover the areas where you are at risk without offering benefits you will never use. Understanding how cruiser's needs differ from the norm and examining the types of coverage available under various worldwide health plans will give you a good idea where to start when considering what health insurance will offer you the best protection while you cruise.

Cruiser's Special Needs

Liveaboard cruisers need a worldwide health plan that will cover them anywhere and anytime. They need a health insurance provider familiar with and practiced in dealing with foreign health care systems. The health insurance provided by US employers rarely fills the bill. Geographical exclusions and provider limitations restrict or even eliminate coverage for Americans residing abroad (as opposed to vacationing). Pat Kording, a benefits consultant who works for Fortune 500 companies, says, "Remember, most plans are now 'point of service' meaning that there is a higher benefit level if you go to a 'participating provider or facility.' They would probably pay charges incurred out of the country, but they would pay at the lowest level since the provider would not be participating. This could be as low as 60% under the plan with the other 40% paid by the insured." Most traditional US providers have never had to deal with a hospital in Tunisia or Indonesia and don't have the language skills let alone the systems for ensuring payment.

Health insurance in the US is expensive because health care costs in the US are expensive. Most liveaboard cruisers will not receive health care in the US, so they don't need to pay the premiums associated with comprehensive medical coverage for the US market. At the same time, most cruisers travel back to the States for some period of time every year. In the event something happens while they are in the US, they want to be covered. A number of plans will pay US health care costs so long as applicants officially reside outside of the US and return there for no more than six months out of twelve. Some carriers will only renew the insurance so long as this condition continues to be met. All carriers will require a foreign billing address, though some help to arrange it for you.

The nomadic lifestyle of long-term liveaboards makes a variety of unusual and costly benefits highly desirable. Where medical facilities are basic or even primitive, travel to a place with high quality medical facilities must precede the treatment of many serious illnesses. But air evacuation of a victim of heart attack or stroke on life support can cost \$20,000 on up, depending on the remoteness of the location. In such a situation, most people want a family member to

travel with them. After treatment, if further convalescence is required, repatriation to the home country may be recommended or desired. In the event of death, most people would prefer to have their remains returned to their home country for funeral services and interment. Many of the insurance plans available offer benefits for some or all of these contingencies in varying amounts.

Cruisers also regularly engage in a variety of activities that may be not be covered by standard health insurance and travel insurance policies. Many policies exclude injuries sustained while motorcycle or motor scooter riding, horseback riding, water-skiing or SCUBA diving. Some otherwise comprehensive standard policies will even list injuries incurred while “yachting” as an exclusion. Injuries sustained while participating in professional, amateur or interscholastic athletics are not covered by some policies, and that may include organized regattas or rallies.

Cecille Brechin of Kuffel, Collimore & Co. sells several worldwide health insurance plans. She says, “...if a rally or regatta is an organized ‘race’ then there would be no coverage [under this clause]. If it is not an organized event, then there is coverage. Usually an event like that offers separate coverage [for participants]...” But other plans cover these risks. Al Golden from International Marine Insurance Services (IMIS) says, “As far as any of the Lloyd’s [of London] plans are concerned, regattas or rallies would most certainly be covered as long as they are amateur competitions. This has been confirmed with their underwriter.” Those planning on participating in an organized race like the Heinken Regatta or a rally like the Caribbean 1500 would want to be absolutely sure of coverage during the event.

Most cruisers have reached the age where they’ve already received treatment for conditions which could prove costly and for which they want to be covered. But many plans limit or completely exclude coverage for pre-existing conditions, which includes anything for which treatment has been sought or *should have been sought* during a period of a certain number of years prior to applying for coverage. Such clauses may exclude coverage of a heart attack, for instance, if medication was taken to control cholesterol or if treatment was sought or should have been sought for high blood pressure. Failure to disclose pre-existing conditions will, at the very least, nullify the coverage of the condition, and may nullify coverage all together. Various plans handle pre-existing conditions in a variety of ways. Some will add a surcharge to the premium to cover the condition. Others may apply a waiting period during which treatment will not be reimbursed. In some cases, pre-existing conditions will be covered up to some lump sum amount over the life of the policy. Finding the right policy in large measure revolves around understanding your own medical history and making sure you are covered where you are at risk.

Among those we know who’ve had to do it, settling the bill turns out to be one of the single biggest issues with health treatment abroad whether insured or not. Al Golden of IMIS says, “It is quite likely that you will have to be able to front the money for any emergency health care, and then seek reimbursement.” Many worldwide health plans will pre-certify benefits, which should reassure health care providers that they will receive payment. In practice, pre-certification means services may not have to be paid for in advance, but in almost all cases medical bills will have to be settled before a patient is released or can leave the country.

Insurance Options

For those who have it, health insurance is likely to be the second largest one-time expenditure in the annual cruising budget, right after boat insurance. For healthy cruisers in their forties or early fifties, it can represent anywhere from a tenth to a quarter of total annual expenses. Each year of health insurance coverage costs Evans and me the equivalent of a month of cruising expenses. When considering health insurance, therefore, many cruisers still choose to forego health

insurance entirely (self-insure). Others insure against health risks by continuing their existing insurance or purchasing one of a number of worldwide health insurance plans.

Self-insure. Even major treatment can be relatively inexpensive outside of the States. A visit to a clinic in Tahiti a few years ago cost \$10 including medications; a series of tests in New Zealand cost \$40. Given the cost of premiums versus the cost of health care along much of the tradewind route, it's hardly surprising that a large number of cruisers choose not to carry health insurance at all. In essence, they have self-insured and will pay any costs of health care themselves instead of paying a premium for insurance. The odds say young, healthy people will end up paying less in the long run using this strategy. But the risk of a serious accident or illness remains, and in that event people who self-insure may find themselves with a limited pool of money from which they can draw.

That, in turn, can limit treatment options in many parts of the world. In areas where appropriate medical services are not available, high-cost air evacuation may be the only alternative for obtaining treatment in a timely fashion. Even where modern facilities are readily available, financial resources can buy superior care. In many countries with socialized medicine, private clinics and specialists not available through the socialized system deliver higher quality treatment than what is available through government-run hospitals. Friends of ours have opted for private providers in countries from England to New Zealand to Tunisia in order to get care equivalent to what they would have expected in the States.

The decision to carry health insurance is not purely a financial one. When we left aboard *Silk* for our circumnavigation, we were both in our mid-thirties and very healthy. Like most younger people out cruising at the time, we decided not to purchase health insurance, but we set aside a \$10,000 contingency fund to cover a medical crisis among other potential emergencies. When I started suffering severe vertigo halfway across the Pacific, the stress of the symptoms was augmented by the knowledge that if the cause turned out to be something really serious, we didn't have the financial means to seek out the best treatment. Though the ailment proved minor, the stress of an undiagnosed illness combined with the anxiety over our future took much of the pleasure out of two months of cruising some of the most spectacular parts of Polynesia.

Another couple we know chose not to carry insurance when they circumnavigated in their twenties. At the end of the voyage, the husband was diagnosed with a malignant melanoma. After dealing with the financial and emotional trauma of his illness, they were faced with the difficulty of getting insured again given the pre-existing condition clause in so many policies. On the other hand, many carriers eliminate waiting periods and some will consider insuring pre-existing conditions when the applicant is already insured with another company. Carrying insurance throughout a voyage, then, not only protects you financially from a costly health crisis, but may also help to ensure future coverage.

Continue existing insurance. Those leaving corporate jobs who decide they want health insurance have the option of continuing their current health coverage under COBRA (Consolidated Omnibus Budget Reconciliation Act). Intended to keep people insured between jobs, the act requires employers to offer employees continuation of health insurance under the employer's group plan, but the employee must pay 102% of the active premium. A typical employee of a Fortune 500 company will be paying at most 20% of the total cost of their premium, so most people experience serious sticker shock when the COBRA cost is disclosed. Individuals face premiums on the order of \$250 per month, while couples and families will be charged as much as \$400 to \$600. Of course, these comprehensive plans offer a host of related

benefits not readily available elsewhere from vision and dental to home health care and physiotherapists.

Even for those who can afford the premium out of a cruising budget, there are several drawbacks to COBRA coverage for full-time liveboard cruisers. First, COBRA only provides 18 months of coverage for the ex-employee, though dependents can be covered for up to 36 months. Second, it automatically stops with Medicare eligibility, but Medicare will not cover health expenses incurred outside the country. Third, as discussed above, most employers' plans will have geographical or provider limitations that will reduce or eliminate coverage for those living abroad or engaging in certain activities. Finally, benefits consultant Pat Kording warns, "Premiums *must* be received exactly on time or coverage cancels and *cannot* be reinstated." For all these reasons, few cruisers we know exercised their options under COBRA.

Purchase specialized insurance. Those who want coverage but aren't eligible for COBRA benefits or can't afford the premiums can choose from a variety of programs tailored to the needs of different age groups and risk profiles living abroad. A thorough review of a dozen plans offered by four different carriers through three different agents all of whom are used to dealing with full-time liveboard cruisers provides an overview of the options available for those seeking worldwide health insurance. While not delineated this way by agents or carriers, from a consumer's perspective, these plans fall into three distinct categories as shown in Table 1.

- **Major Medical.** Characterized by high deductibles, relatively low policy limits and many exclusions, these plans offer protection from the worst financial consequences of a catastrophic accident or illness at a minimal cost.
- **Targeted.** These policies offer good coverage of the essentials in amounts that will meet most needs abroad. They keep premiums down by limiting or excluding pregnancy benefits and by requiring co-insurance payments after deductibles outside the United States and the use of Preferred Provider Organizations (PPOs) within the US.
- **Comprehensive.** These offer increased benefit amounts and broader coverage than the targeted plans. They cover pregnancy expenses, for instance, and generally require lower coinsurance payments, especially outside the US.

Table 1 outlines basic policy provisions only – in many cases supplements can be purchased to increase coverage in specific areas.

Table 1. Comparison of typical provisions of different types of health insurance coverage

	Major Medical	Targeted	Comprehensive
Base policy limits ¹	\$250k - \$1M life	\$500k annual or \$5M life	\$500k annual or \$5M life
Deductibles avail.	\$250-5,000	\$500-10,000	\$250-5,000
Residency req.	6 mos./12 outside US	6 mos./12 outside US	6 mos./12 outside US
US cover	None	Fin. Inc. to use PPO	Fin. Inc. to use PPO
Coinsurance after deduct.	Ex-US: Varies US/Can.: No coverage	Ex-US: 20% next \$5k US/Can.: Varies	Ex-US: Varies US/Can.: Varies
Pre-cert. penalty ²	50%	40-50%	40-50%
Pre-existing cond.	No cover to \$25k life	Varies	Varies
Maternity benefit	Limited after 24 mos.	None or very limited	Covered after 12 months
Organ transplant	Not covered	\$1M lifetime or URC ³	\$1M lifetime or URC ³

Children <10 free	None or one	Two	Two
Evacuation	Not covered	\$50k maximum	\$25k-100k maximum
Costs start at ⁴	\$500 per person/year	\$1,000 per person/year	\$1,500 per person/year

¹Some plans offer policy limits by year; others offer a lifetime maximum.

²Most plans require notification and pre-certification of expenses before admission to the hospital or treatment. In emergency situations, notification must occur within 48 hours. Failure to pre-certify causes a reduction in benefits.

³Usual, reasonable and customary charges for the procedure and the geographical region.

⁴For non-smoking, 45-49 year old with no pre-existing conditions and a \$5,000 deductible.

Pregnancy benefits make a big difference in premiums. However, deciding whether or not to pay for them may not be as straightforward as it appears for couples of child-bearing age. We know a half dozen couples including one in their late forties who did not intend to get pregnant while cruising, but they discovered that birth control pills prove quite ineffective when they end up feeding the fish as a result of seasickness. If you don't want to run the risk of having to pay out of pocket for an unplanned pregnancy, it may be worthwhile to pay the additional premium.

In insurance, you truly do get what you pay for, though you'll pay a lot less than you might guess based on US insurance rates. The premiums for the different types of policies directly reflect the differences in coverage and policy limits. The last row in Table 1 gives a rough idea what a healthy 45-49 year old with no pre-existing conditions who has elected a \$5,000 deductible can expect to pay. Most carriers increase premiums by at least 10% for smokers, and the underwriters may add other surcharges for pre-existing conditions. Within plans, premiums are very sensitive to the deductible chosen. On average, the figures increase by at least 50% if the deductible is reduced to \$500. Conversely, they decrease by 20 to 30% if the deductible is doubled to \$10,000. Most policies will cover up to two children under age 10 for free, so long as both parents are insured. Additional children under age 10 raise insurance costs by a couple hundred dollars a year. Children over age 10 increase annual premiums by \$200-300 for targeted plans and \$400-500 for comprehensive plans.

Somewhere between 59 and 65, premiums double. Pre-existing conditions may also make the initial underwriting difficult and add other surcharges to the premium. At that age, people become eligible for Medicare and Medi-gap in the United States, which means they can choose to return to the States for treatment of less urgent, longer term health problems. But most will still want coverage of some sort for medical emergencies abroad.

Insurance alternatives for cruisers

No one can make the health insurance decision for you. But a few imaginary cruisers with differing needs illustrate the types of plans you might want to consider depending on your situation.

Couples in their thirties with no history of medical problems living on a shoestring budget may still want to consider self-insuring. However, if their resources can stretch to cover \$800 to \$1,000 per year, a Major Medical type of program would be well within reach and would both reduce the stress and anxiety if one fell ill and reduce or eliminate waiting periods under other policies when they return ashore.

Couples in their forties with or without children will probably be best served by a Targeted or Comprehensive plan depending on their cruising area, the likelihood of a pregnancy and their medical history. For those cruising more remote areas where health costs are generally cheaper

with no plans for another child and no medical complications, one of the Targeted plans would probably provide more than adequate benefits. Otherwise, a Comprehensive plan may well prove worth the extra cost.

Medicare-eligible cruisers who can no longer afford the premiums of a targeted or comprehensive plan, or who have trouble getting underwritten, may need to take a different approach to cover health risks while outside the US. One option would be to purchase one of the Major Medical programs and buy additional coverage for medical evacuation and repatriation. Bear in mind, however, that medical evacuation benefits, whether through these stand-alone plans or as part of the plans described above, require the recommendation of the attending physician and approval by the insurance carrier. The carrier will insist evacuation or repatriation be medically necessary and adequate medical facilities not be available at the patient's location. The attending physician will not approve evacuation if it might further endanger the patient. But Medicare-eligible cruisers could use these plans to return them to the States from an area where medical care wasn't available while relying on the Major Medical-type plan to protect them in the event of a high-cost accident or illness abroad.

Finally, if using your boat for charter or if entertaining visitors, consider whether or not they should get short-term medical coverage for their stay aboard. As discussed earlier, even if they are insured under a good US health care plan, they may not be fully covered against an accident or sudden illness in a foreign country or if participating in activities such as water-skiing or SCUBA. For as little as \$50, people between 40 and 50 can get \$1,000,000 of comprehensive health coverage for a two-week vacation through one of many travel insurance programs. Search on travel insurance on the web for more information.

A serious accident or life-threatening illness comes near the top of the list of potential disasters for most cruisers. In addition to the stress of the ailment and the uncertainty of the future comes the intimidation of dealing with a foreign health care system, possibly in a foreign language. A good worldwide health insurance plan can at least limit the financial damage exacted on the cruising kitty by such a disaster. But it's not for everybody. Only you can decide if the benefits of coverage outweigh the months of cruising paid out to the insurance company.

We have worked with both of the following and have found them to be reliable and professional.

International Marine Insurance Services (IMIS). Al Golden has been serving the insurance needs of voyaging sailors for two decades, and his son, Gary, is continuing in his footsteps. IMIS offers a full range of excellent health plans, many underwritten by Lloyd's, which can meet the needs of any sailor. Contact: 462 Kent Narrows Way North, Grasonville, MD 21638-1022, USA; Phone: 800-541-4647, 410-827-3757; Fax: 410-827-3758; www.imiscorp.net.

Kuffel, Collimore & Co. Originally designed to meet the health insurance needs of charter boat crews in the Caribbean, their Lifeboat Medical program also insures long-term liveaboard cruisers who spend at least six months of each year outside the United States. Contact: 1761 South Naperville Road, Suite 105, Wheaton, IL 60187, USA; Phone: 877-335-1234, 630-221-6000; Fax: 630-221-1453; www.lifeboatmedical.com.