

Non-disclosure, FOS annual report 2006/07 – Money Marketing - July 2007

This month I have copied some text below from The FOS Annual Review 2006/07 which I believe every one who advises on protection, as well as those who manage, or are in some way responsible for advisers, networks or other such businesses, should read.

“...on the basis of the disputes we see, we remain concerned that what some insurers require consumers to disclose about their health is probably beyond many people’s capability and comprehension – especially in the context of a sales process that is hardly conducive to the serious consideration of complex questions about medical history.”

“...those advising on and selling health policies are in many cases confused or poorly trained, and only contribute to the misunderstandings.”

The concerns expressed in the document emphasise and add weight to what my own company has been telling advisers and business managers for the last 5 years. To be fair many have listened and acted. However, just as many have argued that a change to the process of adviser and customer filling out forms together, or customers being left to try to complete the long and over complicated forms on their own is somehow OK. Well it isn’t, and right now customers are suffering and insurer’s brands and reputations are being tarnished between the broadsheets, in the Sunday papers and on television.

For policies that were put in place prior to 2005 then the issue is one of customer versus insurer, because under the ABI Code of Conduct Insurers accepted responsibility for the sales process. However for cases sold since then the situation is very, very different.

Let me now add to the FOS’s comments above with two others, one made by an insurer and one by a re-insurer.

The Insurer: “We sometimes find when a claim is rejected due to non-disclosure that the customer accuses their adviser of omitting important medical facts from the application form, facts the customer says were disclosed to the adviser.”

The Re-Insurer: “We often decline claims and the policyholder says that the adviser told them it was OK not to disclose information.”

So it seems that when faced with the prospect of not being paid at claim stage, some customers are quite prepared to point the finger at those who advised them at the application stage.

If, for a sale made under statutory regulation, a decision to decline a claim by an insurer for non-disclosure is upheld then the issue will come down to a straight dispute between the adviser and customer. If the insurer pays the claim then it is quite possible that a dispute could arise between adviser and insurer. Either way, the experience will be a difficult and expensive one for all involved and, in my view, it would be far better for the adviser to heed the words of the FOS and avoid having to deal with underwriting issues during, what is after all, a sales process.

The outdated practices still employed by many advisers are deeply ingrained and as we all know, even the worst of habits are not easily changed. Perhaps, once a few advisers have been forced to pay off their customer’s mortgages, then attitudes will change.

By Richard Verdin, Sales & Marketing Director