Broker Guide

The Importance of Disclosure

At Zurich, the payment of claims is important to us. We know the payment of claims eases the financial burden on your clients and their families during a difficult time in their lives. At Zurich we have an excellent claims settlement history and are experienced in showing a fair and human approach during this very difficult time for clients and their families[1].

Unfortunately, every year over 2%[1] of life and serious illness claims submitted to Zurich are not paid or have their coverage reduced because clients did not disclose all relevant medical facts when asked about them during the application process. Disclosure is important because it ensures that all clients pay a premium in line with their insured risk. Where clients fail to disclose all relevant facts, and these lead to claims, over time this can adversely impact our standard premium rates - increasing the future price for all clients.

Misrepresentation usually only comes to light at claim stage – at a time when a policy should be paying out. A claim rejected or delayed due to misrepresentation causes a great deal of stress for everyone involved. **Our goal is to pay 100% of all claims.** The higher the percentage of claims we can pay out, the greater the trust and confidence you'll have in recommending our products to your clients. That's why it's essential that we do all that we can to reduce misrepresentation (deliberate or negligently) by clients.

[1]Source Zurich Life Claims Report 2023

What is misrepresentation (non-disclosure)?

A **misrepresentation** is a false statement of a material fact (not opinion) which is made by the applicant. **Non-disclosure** is the term used to describe a situation where at any time an insured person or person acting on their behalf gives false information or omits to disclose a material fact. The insurer may consider the policy to be invalid and take steps to protect the interests of the company and its existing policyholders.

What is a material fact?

A material fact is any fact that may influence the assessment and acceptance of an application for insurance or may increase the possibility that your client will make a claim under this policy. If your client is in any doubt about whether a fact is material, he / she should disclose full details.

The Consumer Insurance Contracts Act 2019 (CICA) refers to three types of misrepresentations— innocent misrepresentation, negligent misrepresentation, and fraudulent misrepresentation—all of which have varying remedies.

Type	Description	Remedy
Fraudulent	A fraudulent misrepresentation is a representation of facts that the client knows to be false or misleading, or consciously disregards whether it is false or misleading.	CICA recognizes an insurer's right to refuse to pay a claim and avoid a contract of insurance where an answer given by a consumer involves a fraudulent misrepresentation or where the conduct of a consumer involves fraud of any kind.
Negligent	This is where the client unconsciously does not provide the information requested by the insurer.	CICA states the remedy available to insurers shall reflect what the insurer would have done, had it been fully aware of the facts, and shall be proportionate (for example, an increased premium rather than a declinature).
Innocent	This is where the client could not have been expected to know to disclose the information.	CICA states that Insurers cannot avoid a contract of insurance where a consumer makes an innocent misrepresentation.

How is misrepresentation (non-disclosure) discovered?

At the proposal stage

Underwriters, who assess and quantify the risk presented by each applicant, will request additional medical evidence for the following reasons:

- To investigate whether what is being stated in the proposal is the full truth.
- When the level of cover exceeds a certain threshold medical evidence is automatically required.
- Zurich Life randomly selects applications for medical evidence before and after issue stage.

At the claims stage

- On receipt of medical evidence during the claims process.

Misrepresentation exists and whilst it applies to the minority of claims, it can have far reaching consequences for clients and their families. We can attempt to reduce or mitigate this by understanding some actions and behaviors.

1. Fraudulent and deliberate non-disclosure

Thankfully fraud is rare and unusual in the life insurance industry. However, deliberate non-disclosure does occur and sometimes a customer will knowingly withhold information from a broker and insurance provider.

Potential mitigations

- ✓ Due diligence. Ensure that you are certain of your client's true identity.
- ✓ Act on your instincts. If you suspect or indeed know the application to be untrue (from your personal knowledge or previous application), contact Zurich on underwritingsupport@zurich.ie or phone us on 01 799 2825.
- ✓ The likelihood is that at claims assessment stage non-disclosure will quickly come to light and so before that happens, there are a couple of simple things you can look out for in client meetings.

These include:

- Client states a normal height and weight but having met the client this is clearly untrue.
- Client claims to be non-smoker but smells of smoke.
- Client taking out cover which is not affordable.
- You know the client on a personal level and know they have a medical history yet they haven't disclosed it.
- The client's income is disproportionate to the level of cover they are seeking or your client may try to place different cover with different providers to avoid medical evidence.

Example: While in the process of completing an application for life cover, a Financial Broker suspected that the client was withholding information by the way they were answering or hesitating on the questions. The broker felt it was best to do full underwriting on the case and asked Zurich to request a GP Report as part of the underwriting process. The GP Report highlighted that the client had failed to disclose a significant medical history. Zurich offered the client a correct rating which they accepted. Sadly, the client died within 21 months of the policy issuing but the claim was paid in full and the family entrusted the broker with reinvesting a portion of the claim pay-out. The broker testified that this was "a hard conversation but a far easier conversation at proposal stage than it would have been at claims stage had non-disclosure been discovered". Had it not been for the careful attention given by the broker, this claim would have been declined.

Zurich's non-disclosure insights

2. Attitudes and beliefs

Clients may not be aware why disclosure is so important. They may not see the relevance of certain facts, or they may believe they don't matter when they do. This may however lead to their claim not being paid out, which is why educating clients is important.

Tip! Give your client our client guide about the importance of disclosing medical information and ask your client to confirm in writing that they have received and understood our guide about non-disclosure. Our **client guide** is available in the Document Library on the Zurich Life Broker Centre.

"Insurance companies don't pay claims"

Stories of declined cases have hit the headlines and usually the reasons behind the declinature are not reported for legal and confidential reasons. Applicants might recall these headlines without having any experience with the claims that are paid and the positive impact this had on the lives of these people.

Potential mitigations

- **Challenge the misconception that insurance companies don't want to pay claims.** The earlier the better in the process - change this view by promoting the wins. Provide examples and statistics of claim payouts and the impact these have on people's lives. You could share Zurich's **Claims Report,** which can be found in the Document Library on the Zurich Life Broker Centre.
- **Explain why sometimes claims are not paid** and outline at outset why an insurance company would in certain cases not pay a claim. Reassure your client that the overwhelming majority of claims are paid and that those not paid are usually related to disclosure issues.

"Sure it doesn't matter"

Sometimes clients fail to understand the consequences of not providing the full picture of their health. Underestimation of weight, alcohol consumption and non-disclosure of occasional smoking consumption would also fall into this category.

Potential mitigations

- **Talk openly about examples** of clients who didn't disclose their casual smoking and how this affected their claim.
- **Understand that the client likely has good intentions.** Your client may intend to lose weight or give up smoking, but aspirations are not facts and it's important to ensure clients are aware of that. It can help to signpost a future meeting if smoking is ceased for over 12 months or weight has been lost and maintained as better terms may be available.
- **Warn them about Random Sampling**. Explain that every insurance company can at any point seek medical evidence on a random basis.
- **Pay extra attention when applying for Income Protection Cover.** If you have a client applying for Income Protection Cover it is important to understand the significance musculoskeletal issues (e.g. back issues etc.) can have on the underwriting of this benefit and why it is vital that full disclosure is made. Back or other musculoskeletal issues are a major cause of Income Protection claims. It is important to take the time to ensure full disclosure as claims for Income Protection are more common and subject to full assessment.

"It won't happen to me"

Few of us are imagining an early departure from this world and many of us are actively exercising and in good health. It can be hard to contemplate health issues or unexpected death and to imagine the protection plan ever being claimed on.

Potential mitigations

- **Give examples and share claims reports.** Unfortunately, sickness and death does happen, and it happens to young and healthy individuals too. Have some high profile and easily identifiable examples ready which illustrate death and illness can happen to the young and healthy too.

  The average age of the deceased for death claims on Zurich's Life Cover business is 66[2]. Note that this average includes Whole-of-Life policies, dozens of claims were paid out for people under 40[2]. The average age for Serious Illness claims is 53, but we've paid claims to people in their twenties too[2].

[2]Source Zurich Life Claims Report 2023

“I won’t get cover if I disclose”

Sometimes applicants are under pressure to secure cover say for example as part of a mortgage application. Clients can believe that by disclosing a condition they will be declined cover or charged a premium they can’t afford. This is especially common for issues regarding mental health and hypertension.

Potential mitigations

- **Dispel these myths**. Nearly 86% of lives are accepted at standard rates even with disclosures and only a very small percentage of applications are declined cover.[3]
- **Manage expectations.** Explain that if your client does have an adverse medical condition that could lead to a declinature of cover or a rating and they don’t disclose it, then any future claim would most likely be refused.

“It’s too personal”

There are some conditions that regularly feature in the causes of non-disclosure. They include Mental Health, Alcohol Abuse, Body Mass Index, Investigations pending, Cardiovascular Factors (such as height and weight, smoker status and family history) and Gynaecological issues/ Prostate or Urinary Disorder History. These conditions are directly related to specific questions on the application form, and despite the direct correlation we find that the main causes of non-disclosure frequently arise in these areas.

Potential mitigations

- **Let your clients know that you will be asking health questions** that cover all aspects of our health including mental and lifestyle.
- **Reassure your client that any disclosure will be dealt with in a confidential manner**, and ask your client ahead of meeting you to think about any relevant health issues.
- **Have quick and easy examples ready** for your client on sensitive issue disclosures. Explain that non-disclosed (occasional) smoking can have serious implications at claims stage.
- **Make use of Client Questionnaires.** If you feel the client is uncomfortable disclosing information directly to you – give them a client questionnaire and ask them to contact Zurich directly in order to confidentially update their file. You won’t be advised of the nature of any disclosure, but our systems will indicate when additional information has been received.
- **Quick tip regarding Body Mass Index.** Ask clients to have a current height and weight reading ready by weighing themselves ahead of the application completion.
- **Alcohol…. a special mention…**
  Alcohol is a very common area of misrepresentation and is one of the areas we seek to emphasize as being so vitally important when it comes to full and proper disclosure. Alcohol and alcohol excess is one of the leading causes of medical issues and failure to disclose a history of alcohol abuse or dependency unfortunately leads to claims being declined every year. In these cases, the cause of death is often directly linked to the history of alcohol abuse.
- **Pending Investigations.** The trigger for cover can sometimes be on foot of a referral by a GP and it is always worth asking about any investigations or referrals pending ahead of completion of the application. In most cases this will be a postpone and the effort of the application completion might be best done once the investigations are complete. Most investigations turn out to be normal and cover can be sought then. If you wish to discuss any particular scenario, contact us on 01 799 2825.

You need to explain that if your client has an adverse medical condition that could lead to a declinature of cover or a rating and they fail to disclose it then any future claim would most likely be refused.

[3]Source Zurich Life, July 2024

3. Behavioural reasons for non-disclosure

It's worth considering that people don't always act rationally. Understanding behaviour can help us in our approach to our client. With regard to protection policies there are a few behavioral areas of interest.

Tip! Give your client our client guide about the importance of disclosing medical information and ask your client to confirm in writing that they have received and understood our guide about about non-disclosure. Our **Client guide** is available in the Document library on the Zurich Life Broker Centre.

Distraction

Sometimes we don't pay attention. When purchasing a mortgage, a client may see life cover as a stress purchase and in some circumstances may not appreciate the implications of non-disclosure.

Potential mitigations

- People are busy, can be distracted so we need to **ensure the message** is heard – good disclosure leads to good claims outcomes.
- **Repeat the concept.** Introduce the importance of full disclosure in the beginning, during and after an application completion, and at the time of policy issue.
- **Share examples.** Your client might find it easier to remember a simple example that illustrates the consequences of non-disclosure. You will find a few examples at the end of this document.

Fudge Factor

Often, in everyday life we gloss over things to avoid full disclosure for many different reasons. It's important to understand that sometimes customers may have more information to disclose which could be relevant.

Potential mitigations

- **Show empathy.** Understand that not everyone is comfortable disclosing the full picture of their (mental) health and offer reassurance about the reason for asking and the confidentiality of information.
- **Provide a clear example.** A client disclosed he had high blood pressure but failed to disclose his recent heart investigations and answered no to the heart question. Always tell clients to disclose as much as they can and let the insurer decide the appropriate action.
- Let the client know they can contact Zurich directly on underwritingsupport@zurich.ie.

Deliberate intentions

It is very rare but sometimes we become aware of deliberate attempts to hide information from brokers and insurers. Example: deliberately putting the wrong date of birth on an application to get a reduced premium or withholding relevant information such as a recent diagnosis of cancer. Deliberate misrepresentation is rare and very difficult to discover as the client has the knowledge.

Potential mitigations

- **Identity your client.** Ensure that you are certain of your client's real identity.
- **Identify red flags on factfind.** During the factfind, you may discover a client's income to be disproportionate to the level of cover they are seeking or that they are trying to place different cover with different providers to avoid medical evidence. Share any concerns with us.
- **Act on your instincts.** If you suspect or indeed know the application to be untrue (from your personal knowledge or previous application), contact Zurich on underwritingsupport@zurich.ie or phone us on 01 7992825.

Example: While in the process of completing an application, a Financial Broker noticed a hesitancy when going through an application particularly around the question regarding GP . At this point the broker explained to the client that insurance companies undertake random sampling of clients and may request a report from their GP. It was then the client made the broker aware of the fact that he was currently pending a medical test and had failed to disclose this further up the application at the relevant question. The application was halted until the investigation results were available.

4. Sensitive issues

There are some conditions that always feature in the causes of non-disclosure. They include Mental Health, Alcohol Abuse, Investigations pending, Cardiovascular Factors (such as height and weight, smoker status and family history) and Gynaecological issues/ Prostate or Urinary Disorder History.

These conditions are directly related to specific questions on the application form, and despite the direct correlation we find that the main causes of non-disclosure frequently arise in these areas. These include:

Mental Health

- Unfortunately, Mental Health stigma still persists. A 2014 Survey from St. Patrick's Mental Health Services indicates that 65% of respondents say that being treated for a mental health problem is viewed by Irish Society as a sign of failure.
- In the Irish market, clients are often known to the broker and this may contribute to the reluctance to disclose personal information.

Alcohol abuse

- Alcohol abuse like mental health can be a taboo subject. Sufferers may be reluctant to disclose this history and may in fact feel they do not have a problem. However, our claims review indicates that a failure to disclose advice to reduce alcohol by a health professional has affected payment of claims in the past.

Investigations pending

- Sometimes being referred for an investigation can make us mindful of our mortality and vulnerability which might in turn push us towards taking out protection cover. Customers might justify not disclosing this, regarding it as routine or might not feel able to discuss openly their current health issues with a broker. This can affect a claim if the result of the investigation is not normal or if it results in further investigations. Zurich recommends full disclosure on investigations pending and is often in a position to provide cover with investigations due.

Cardiovascular Factors

- Some people find it hard to admit to smoking, especially if they view themselves as "weekend or social smokers" or if they intend giving up in the future. Some applicants believe that their weight will be addressed through future diet or exercise regimes so fail to disclose the correct information at application stage. However, we have found that these details are often recorded in the client's medical records and can affect the claim if not accurate at proposal stage.

Gynaecological /Prostate or Urinary Disorder History

- Some people find it difficult to discuss this personal history even with a member of the same sex.

Case Study Examples

Applicants are obliged to answer all questions an insurer asks on the application form honestly and with reasonable care. Where this does not happen and a claim is made related to the issue which was not disclosed an insurance company can use a number of different proportionate remedies dependent on whether the misrepresentation was innocent, negligent or fraudulent and can include declinature of a claim, reducing the payout on a claim or cancelling the policy from inception without refund of premiums paid.

Case Study 1

Death

The client applied for cover in 2022 and died in 2023. The cause of death given was: cardiac arrest, coronary artery disease, diabetes.

During the application stage, the applicant advised they were a non-smoker and the only medical disclosure made on the application form was raised blood pressure which they confirmed was well controlled with normal readings at the last check-up.

During the claim stage, we received medical evidence from the deceased's GP. These medical records confirmed a **non-disclosed medical history** of diabetes, heart disease and heart attack, as well as a long history of smoking including evidence of smoking at time of application. All of these predated the risk commencement date of the policy:

As a result, **the claim was declined, and the policy voided from inception.**

NB There are specific questions relating to smoking, diabetes, and heart disease on the application.

Case Study 2

Serious Illness

The client applied for cover early 2020 and submitted a serious illness claim mid 2022 as a result of a heart attack.

During the claim stage, we received medical evidence from the claimant's GP. These medical records confirmed non-disclosure of a blood clot and ongoing treatment with warfarin at the time the application.

As a result, **the claim payment was reduced** to match the sum insured that the client would have received for their premium if their condition had been considered when they first applied.

NB There are very specific question on the application form regarding any clotting disorders and also any ongoing treatment for any medical conditions.

Case Study 3

Income Protection

The client applied for cover early 2023 and answered "No" to all questions on the application form. 8 months into the policy they submitted a claim as they were "Unable to work due to Anxiety & Depression".

During the claim stage, we received medical evidence from the claimant's GP. The medical records received confirmed a long history of work-related stress, anxiety, and excess alcohol consumption which client had received advice about on numerous occasions from her medical practitioners.

As a result, **the claim was declined, and the policy voided from inception.**

NB There are specific questions relating to anxiety, depression & stress and advice on alcohol excess on the application.

And finally....

The vast majority of applications are accepted without the need for any additional medical evidence from doctors or other medical professionals, so clients are obliged to answer all questions an insurer asks on an application form honestly and with reasonable care. We want to pay 100% of claims and remember we pay nearly 98% of all claims received[1].

We know Financial Advisors are fully committed to getting good disclosure and want to ensure 100% of their client claims are paid.

Thank you for reading this guide and we look forward to protecting your clients with you.

[1]Source Zurich Life Claims Report 2023

Here are some tips to use!

- **Pre-warn** your clients that you will be asking health questions and ask your client ahead of meeting you to think about any relevant health issues. Ask customers to have a current height and weight reading ready.
- **Have quick and easy examples** ready for your customer on sensitive issue disclosures. Explain smoking is often under disclosed but could have serious implications at claims stage. Tell customers that the Irish Ombudsman has regarded non-disclosure of smoking habits as deliberate non-disclosure.
- **Make use of Client Questionnaires.** If you feel the client is uncomfortable disclosing information directly to you – give them a client questionnaire and ask them to contact Zurich directly in order to confidentially update their file. You won't be advised of the nature of any disclosure but our systems will indicate additional information has been received.
- **Provide your client with our client guide on disclosure** – it's an excellent document that highlights the importance of full and accurate disclosure.

Benefits of full disclosure

- Client reassurance regarding claims payment.
- Full disclosure means a fair premium is charged.
- More affordable premiums.
- Higher non-medical limits in the future if non disclosure reduces.
- Faster underwriting.
- Faster claim payments.
- Less exposure to the Ombudsman and legal disputes.

Remember Zurich wish to pay 100% of claims!
If you have any comments or insights you would like to share please contact us:

Email: underwritingsupport@zurich.ie

Underwriting Queries: (01) 799 2826

Zurich Life Assurance plc
Zurich House, Frascati Road, Blackrock, Co. Dublin, A94 X9Y3, Ireland.
Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurich.ie

Zurich Life Assurance plc is regulated by the Central Bank of Ireland.

Intended for distribution within the Republic of Ireland.

GR: 8816 Print Ref: ZL LB 263 1024

ZURICH®