

The Importance of Disclosing Medical Information







Welcome

Currently, in line with the industry, almost 5%* of all life and serious illness claims are declined due to the fact that customers did not disclose all relevant medical facts at application stage. Unfortunately this usually only comes to light at claim stage – at a time when a policy should be paying out. A claim rejected due to non-disclosure causes a great deal of stress for everyone involved – for the Financial Broker, the provider claims team and of course, the customer.

At Zurich, our goal is to pay 100% of all claims. The higher the percentage of claims we pay, the greater trust and confidence you'll have in recommending our products to your customers. That's why it's essential that we do all that we can to reduce non-disclosure by customers.

*Source: Zurich Life, July 2015.

1. Fraud 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 provider.

Broker Actions

- ✓ 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, contact Zurich.

Example: While in the process of completing an application for life cover, a Financial Broker suspected that the clients were withholding information. Rather than ask the clients outright, the broker 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. However, Zurich offered the client a rating which they accepted.

Sadly, the client died within 21 months of the policy issuing but the claim was paid in full. The family used this broker to reinvest a portion of the claim pay-out. The broker said "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 here this claim would have been declined.

- ✓ 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.



2. Attitudes and beliefs

"Insurance companies don't pay claims"

Non-disclosure and therefore declined payouts has had a negative impact on the protection industry over the years. Stories of declined cases have hit the headlines and often the reasons behind the declination are not reported for legal and confidential reasons.

Broker Actions

- ✓ You can change this attitude by promoting the wins. Provide the examples and statistics of claim payouts and the impact these have on people's lives.
- ✓ Explain why claims are not paid and outline at outset why an insurance company would not pay a claim.

"Sure it doesn't matter"

Sometimes customers fail to understand the consequences of not providing the full picture of their health.

Broker Actions

- ✓ Explain the consequences of non-disclosure. Provide some clear examples. The Consumer Protection Act 2012 states that the customer must be given an explanation at the proposal stage and know the consequences for failing to make a full disclosure of relevant facts.
- ✓ Random Sampling. Explain that every insurance company can at any point seek medical evidence on a random basis.

"It won't happen to me"

Generally, we approach life with a happy disposition at least regarding our health. It's simply not the human disposition to think about one's mortality.

Broker Actions

- ✓ Have examples ready. Have some high profile and easily identifiable examples ready which illustrate death and illness can happen to the young and healthy.
- ✓ The average age of death claims on Zurich's Life Cover business is only 58 while the average age for Serious Illness claims is 49.

"I won't get cover if I disclose"

Customers sometimes feel by disclosing a condition they will be declined cover or charged a premium they can't afford. This is very common in the area of disclosure of mental health and hypertension.

Broker Actions

- ✓ As an advisor, you can help dispel these untruths. Explain that nearly 90% of lives are accepted at standard rates* even with disclosures and only a very small percentage of applications are actually declined cover.

Of course, you also need to explain that if they **do have** an adverse medical condition that could lead to a declining of cover or a rating and they don't disclose it, then any future claim would most likely be refused.

3. Behaviour

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

Distraction

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

Broker Actions

- ✓ Repeat the concept. Introduce the importance of full disclosure in the beginning, during and after an application completion and at time of policy issue.
- ✓ Customer Guide. Give your client Zurich's guide, 'The Customer Guide to Disclosing Medical Information', to allow for reflection after your initial conversation.
- ✓ Confirmation of understanding. Seek confirmation in writing from your client that they have received and read a customer guide on non-disclosure.
- ✓ Share examples. Your client might find it easier to remember a simple example that illustrates the consequences of non-disclosure.
- ✓ Ask each question slowly. Explain to the customer that every question is important and requires full disclosure.

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.

Broker Actions

- ✓ Empathy. Understand that culturally we might not be comfortable disclosing the full picture. Provide a clear example.
Example: A client disclosed he had 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.
- ✓ The Customer Guide to Disclosing Medical Information – Refer to the guide and ask your client to acknowledge receipt of this guide.



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 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 customers think 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.
- The Irish Ombudsman has regarded non-disclosure of smoking habits as deliberate non-disclosure.

Gynaecological /Prostate or Urinary Disorder History

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

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 customer 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.
- ✓ 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:



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What is Non-disclosure?

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.

How is non-disclosure discovered?

At the proposal stage

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

- To investigate whether what is been stated in the proposal is the full truth.
- The level of cover is so high that medical evidence is automatically required.
- Zurich randomly selects applications for medical evidence before and after issue stage.

At the claims stage

On receipt of medical evidence during the claims process.

- Zurich pays 96% of life claims and 97% of valid serious illness claims. However, some non-disclosure is noted at claims stage.





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