

What you need to tell your insurer



What must you tell your insurer?

Insurance companies ask a range of questions on policy application forms to obtain all of the information they might need. But your duty to give information is not limited to the questions your insurer asks you on the application.

Legally, you must tell your insurer about anything that could affect its decision to insure you or the terms and

conditions you will be offered. For example, the information could affect the level of premium or excess, any exclusions or stand-down periods or if it will insure you at all.

You may not know or understand what sort of information your insurer might want to know so, if in doubt, you should ask your insurer.

What you must tell the insurer depends on the kind of insurance you are arranging.



Why do you need to tell your insurer?

When you take out your policy with your insurer, the underwriter uses the information you provide to decide what the insurer will cover you for and how much it will charge you for that cover.

The information you provide to your insurer forms the basis of your contract. This obligation on you to tell the insurer about the information is often referred to as your “duty of disclosure”.

An underwriter is a person from the insurance company who makes decisions about and/or writes the guidelines for when the insurance company will offer you insurance, the terms and conditions of that insurance, and how much to charge you for that cover.

When do you need to give your insurer this information?

You have a duty to give your insurer all the information it requires when you arrange the policy and every time the policy is renewed (this is every year for house, contents and car insurance). Sometimes, the policy will include a requirement for you to tell your insurer about any major changes during the year.

Life insurance, income protection and health insurance policies also require you to tell the company about anything that may happen between completing your application and the insurance cover starting. This means if you visit the doctor, develop a health problem, or your situation changes between completing the application and your insurance cover starting, you must tell your insurer.

Why is this only an issue now that you have made a claim?

Often when you make a claim, your insurer will ask you more questions or check up on your history. This can lead to the insurer finding out information it should have been given when you

applied for insurance. Even if the information you did not provide does not relate to your current claim, your insurer can still avoid your policy and/or decline the claim.

Real Life Examples

Sarah's car insurance policy was “avoided” when her insurer found out that her son, who held a restricted driver's licence, was the registered owner and main driver of the car. Sarah said she insured the car in her name as it was cheaper. Sarah's insurer found out that her son owned the car and was the main driver when the car was written-off in an accident. Sarah's son had to repay the loan on a car that he could no longer drive, because the insurer had no obligation to pay.

Bob had his policy avoided when he made a claim for the theft of his car. His insurer found out he did not disclose his conviction for stealing a boat, on renewal of his car policy. Bob's car was a write-off and, because of his non-disclosure, Bob's insurance did not pay out on his car.

The Insurance & Savings Ombudsman Scheme Inc. may be able to help you

The ISO Scheme is

- Fair and reasonable
- Independent
- Impartial
- Free to consumers

The ISO Scheme resolves complaints between consumers and insurers which are Participants of the ISO Scheme.



The ISO Scheme's Complaint Process

1. Unhappy with a claim outcome?
2. Tell your insurer you have a complaint.
3. Go through your insurer's internal complaints process.
4. Unhappy with the outcome?
5. Get a letter of "deadlock".
6. Refer your complaint to the ISO Scheme within 2 months of the date of the letter of "deadlock".

What happens if you don't tell your insurer about this information?

The consequences are serious. If you do not give your insurer all the information that could affect their decision about the terms and conditions of cover you could be offered, your policy might be avoided when you make a claim.

Legally, your policy can be treated as though it never existed and your insurer can refuse to consider your claim. When your policy is treated as though it never existed, it has been avoided. Even if you left out the information on the application by accident, or unintentionally, the insurer can still avoid your policy.

If your policy is avoided, it can affect other claims you might have made under the policy and the success of any future insurance applications. This is why it is so important to give the company all the information it requires to properly assess the risk of providing you with cover.

Important information for house, contents, travel and car insurance

There are 2 main categories of information:

1. Information relating to you, e.g. your insurance history i.e. about claims made, any criminal or traffic convictions you have, if you have been bankrupt; and
2. Information relating to your property e.g. if you have tenants living in your house, if your car has been modified, if you live on a flood plain, any security systems or alarms you have.

Important information for life, income protection, travel and health insurance

For insurance policies where any risk relates to your health, the underwriter will also require information about your medical history. Often you will be asked to provide a lot of detail that may be difficult for you to remember. It is important that you provide all the information you are asked about, even if the question is very broad.

If in doubt, ask your doctor for your medical notes so you can check your answers. Insurers do not automatically ask your doctor for information, even if you give them permission to do so on your application form.

Real Life Examples

- **Sue** had her policy avoided after the insurer found out that she had not told it about previous claims she had made (for a stolen wallet, bag and a lost ring) to another insurer, and the higher excesses imposed on her policy as a result of those claims. Sue's insurer found out about her previous claims history when she made a claim, following the burglary of her house. As a result, Sue's insurance did not pay for any of the items taken in the burglary.
- **Mary** made a claim to her insurer under her income protection policy, as she could not work after suffering a mini-stroke. Her insurer avoided her policy. On her application, Mary had not told the insurer about a number of consultations and referrals she had prior to the date of application, her history of OOS, depression, stress and her increased alcohol intake. The policy could be avoided and the claim not considered.

Key Points

1. When you complete your insurance application form (or at renewal), you must provide all the information that you are asked for.
2. If you do not provide all information which could affect the decision to insure you, or the terms on which to offer cover, your policy could be treated as if it never existed (**avoided**). This means your insurer will not pay your claim and you will not be insured.
3. Even if you did not intend to leave out the information, or the information you did not provide does not relate to your current claim, your insurer can still avoid the policy.