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Review of the sales and claims handling of Serious Illness Policies

The Financial Regulator has recently written to all life insurance firms with feedback from a themed inspection of life insurance firms that examined sales and claims practices in relation to Serious Illness Cover Products. The main issues covered in this feedback were;

Sales Issues

- The need to fully inform consumers of the key aspects of the product, including restrictions and exclusions, was highlighted.
- The description of the product as “Serious Illness Cover” may lead some customers to believe that all illnesses are covered under the Serious Illness Cover policy, whereas only illnesses specified in policy terms and conditions are actually covered.
- Care needs to be taken in advertising and marketing material, particularly where specific examples of illnesses and amounts paid are given, to address the danger that customers may form the impression that all forms of a particular illness are covered, when this is not the case. For example all forms of cancer may not be covered under every policy.
- While all firms inspected explained the specific illnesses covered by their product in their product documentation, firms were reminded of the

importance that key points of a product need to be explained fully at point of sale.

- A major reason for claims being declined is that customers are not disclosing material issues about their health to the insurer, when taking out a serious illness cover policy. The Financial Regulator noted the positive efforts of insurers to stress the importance of full disclosure in proposal forms at point of sale and encouraged firms to focus further on this point.

Claims Issues

- Children's cover is often a free cover benefit on a parent's serious illness policy. Normally medical information on the child is not required or included in the parent's proposal form. This can cause difficulties at the claims stage, if the child had an illness which existed before the policy was entered into, as such illnesses are not actually covered. Firms were asked to consider how best to highlight to customers the restrictions and exclusions regarding children's claims.