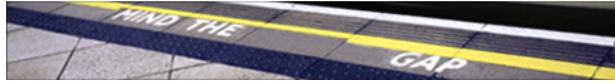


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Loadings ambiguity 'to blame' for failed protection apps

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News

The high rate of non-completed protection applications is being exacerbated by insurers' reluctance to explain why loadings or exclusions are applied, it has been claimed.

Last month, *Health Insurance* revealed that insurers are wasting tens of millions of pounds in underwriting protection applications that fail to go on risk. The average "not taken up" rate is 20% for life and critical illness cover and 24% for income protection cover.

Peter Chadborn, principal at IFA firm CBK Colchester, said the main reason for this is that insurers make it very hard for advisers and their clients to find out why the premium has been rated or an exclusion has been applied.

He said: "Insurers put barriers up and the perception from the client is that the insurer doesn't want to know. Those clients are arguably the ones who need cover more than most."

Insurers state that if a rating is based on something contained in the application form, advisers can request a "reasons why" letter or discuss it with them over the phone. However, if it based on information disclosed during a teleinterview, the insurer cannot discuss it with the adviser due to the Data Protection Act. Some insurers will discuss the rating with the client directly, but if it is based on a condition disclosed in a medical report they feel the GP is the best person to explain this.

Mark Preston, underwriting and claims manager for AEGON Scottish Equitable, said: "We understand fully the financial adviser's point of view here, and are keen to ensure that we provide the best service to them and their clients, and are in the process of reviewing our procedures to ensure that we are doing the best we can. We are happy to discuss cases with financial advisers, and where we feel that there would be a breach of client confidentiality we will explain this to the adviser and agree next steps."

Chadborn said it would be helpful if insurers issued a reasons why letter straightaway, rather than requiring the adviser to request it. The letter could say "The rating is due to the client's high blood pressure" or "We cannot tell you the reason due to data protection".

"At least the adviser would know what has gone on and would be able to have a dialogue with their client," Chadborn said. "If providers do nothing, the not taken up rates will never change."

Matt Morris, senior policy adviser at LifeSearch, added: "Although there are times when it is better for the client to get an explanation straight from a doctor (for example, with a mental disorder), it can be frustrating when the insurer just refuses to talk to the client about it directly no matter what."

How do you think the industry should tackle the problem of failed apps? Email news@hi-mag.com with your thoughts

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