

MoneyMarketing

Signature tune

Kate Mallord | 08-May-2008

Bright Grey recently revealed that 27 per cent of its online life insurance applications are returned with amendments when customers are asked to check a hard copy of the application form.

Many industry figures believe that requiring customers to read, sign and return a copy of their application helps to ensure information is correct and gives customers a better understanding of their policy.

CBK principal Peter Chadborn says: "We all take things more seriously when we have to sign them. Nothing is more important to life insurance than making the customer aware of their position and the importance of disclosure, so it is a very good idea to make them read a copy of the information they have provided and get them to confirm that it is accurate. If your claim does not get paid because you did not disclose something, you can only blame yourself."

Bright Grey is not the only company to ensure that customers are given the opportunity to check the data they have submitted. Royal Liver requires clients to validate their application by signing a copy and returning it and reports a 20 per cent amendment rate.

Even LV= with its in-house tele-underwriters makes changes on 5 per cent of wet signature returns. Customer solutions adviser John Perks says: "Our view is that it is better for the customer that they are comfortable enough to sign."

Bright Grey product director Roger Edwards says large numbers of amendments are not crucial but the requirement for a signature shows that people are reading the documents carefully.

He says: "It is important to put this in perspective. A lot of those changes will not make any difference at all to the application process. The fact that they are getting the printout and having a read through it and saying they need to give us a bit more information on some questions shows that the process is working."

Royal Liver head of sales and marketing Mike Farrell says: "The vast majority of changes are trivial, such as: 'I am not a program manager, I am a senior program manager.' We are quite pleased that clients are sending back this information. They are not medical experts, so they are sending us all the information they can."

Application forms are long and can be complicated so clients can often omit relevant information.

Chadborn says: "If I sat down with a client and went through a 40-page application form and said they had 20 minutes to remember their whole medical life history, it is no wonder that things will get left off."

Edwards says: "It may well be done in an IFA office and things are a bit rushed because they have got a number of appointments that day or they may not have all the information to hand and say they will come back with it later when they get sent the printout or they may genuinely forget some of the information."

Plan Insure life and pension adviser Simon Firmin says some clients may not want to divulge their complete medical history to an intermediary.

He says: "When it has been sent back to the applicant, they can disclose something they did not want to disclose in front of the broker."

In 2006, the industry was given a rude awakening to the problem of ensuring that clients have ample opportunity to review and change applications in a Financial Ombudsman Service case concerning Maxine Gordon-Jarrett. The complainant took out critical-illness cover and did not reveal a diagnosis of diabetes. Irrespective of whether this non-disclosure was inadvertent or deliberate, the FOS found in her favour because she had not been given the opportunity to check the application form, so Halifax was obliged to pay her claim.

Chadborn says if life offices are not going to insist on a wet signature, then IFAs should consider making the client sign the confirmation schedule. He says: "Somebody needs to do it. There should be a responsibility for a signature and I think IFAs would be remiss if they were not aware that there was a potential flaw in the process."

The Association of British Insurers published advice on online application procedures last August but product providers and advisers want clarification. There are at least 10 different procedures regarding signatures for online submission. Farrell says: "I think the ABI could simplify matters by saying: 'This is best practice. We think this is the favoured approach.'"

Lifesearch policy adviser Matt Morris says: "It is a grey area. Ultimately, I think life offices must make sure that the process is completed properly. We are still waiting for more guidance from the ABI. There are no minimum standards or guidelines on whether insurers need to get signatures."

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