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Loading indicators

Nicola York | 29-Jan-2009

Advisers often complain that life companies can be less than helpful when it comes to providing client information.

But one issue that many protection IFAs feel is largely ignored is the difficulty of getting explanations from product providers on why applications for life, critical illness or income protection cover have loadings or exclusions applied to them.

CBK principal Peter Chadborn says the system seems to be conspiring against those people who need cover the most.

He says: "You apply for a policy and the application comes back from the life office saying they want to load a policy or there is a counter-offer. The first question is, why? The adviser says I cannot tell you because of data protection.

"Then you have to go back to your GP and then he has to write to the life office and they have to write back to the GP. Then you have to go back to the GP to find out why. Is it any wonder that life offices lose so much business in the process?"

He says the life offices are not helping themselves by making it such a protracted process to find out why an application has been loaded or exclusions have been put on it.

He would like to see some sort of generic explanation for why a decision may have been made or why underwriting that person represents a greater risk to the life office.

He says: "Life offices and the ABI will tell you that the adviser can ring and speak to the underwriter but in reality it is not always that easy."

Chadborn believes that a helpline phone number should be clearly put on the acceptance or counter-offer letter so the client or adviser can ring and query any loadings or exclusions.

He adds: "Life offices always bemoan multi-applications but it is for reasons like these that we do it."

Master Adviser IFA Roy McLoughlin thinks the solution is to offer access to underwriters before applying for cover. He says if the adviser could ring up an underwriter and ask them for a view on a client's medical condition, it would speed up the process because they would know what loading or exclusion to expect and why.

He says: "You could run it past an underwriter and then you would know what insurers to apply to which would save a lot of time.

"At the moment, the letter the client receives back is very vague. We tell them to see their doctor and the doctor will write to the chief medical underwriter and argue their case. This takes about six weeks."

Highclere Financial Services partner Alan Lakey says in eight out of 10 cases, clients have to see their GP to get an explanation for a loaded premium.

He says: "With Cirencester Friendly Society for example, who are very good in most respects, if a client is loaded or excluded, they refuse to even send me the acceptance letter, which makes it very difficult. I do not know what the terms or the exclusions are and the client thinks it is very odd."

Lakey says he thinks companies interpret the data protection rules and Association of British Insurers' guidelines too severely.

He says: "We are trying to assist the client in taking out cover and trying to smooth a new business process. Anything that interferes with that needs to be got rid of. Often, these are products which they have been

persuaded to take out. It does not take too much for them to be discouraged."

But these advisers' experiences seem to contradict the joint guidance issued to insurers from the British Medical Association and the Association of British Insurers.

A paragraph concerning explanations says: "Insurance companies must provide written reasons for any higher than standard premium, rejection of an application, exclusion, rejection of a claim or cancellation of a policy to applicants or insured people, on request.

"They must not ask applicants' doctors to explain their actuarial and underwriting decisions. If the company is concerned that the applicant is not aware of a health condition that has influenced the underwriting, or if it believes that further care or treatment may be beneficial, a medical officer of the company should discuss the best way to proceed with the applicant's GP promptly.

"Any health concerns that the insurance company has brought to the attention of the GP should be discussed (if the GP felt necessary) in a normal NHS consultation."

An ABI spokeswoman says: "Under some circumstances, it is not appropriate for insurance companies to be talking to the applicants if they have found out certain things. They should be talking to the GP because the GP might not have disclosed what they have written to the insurance company to the client.

"But if the application is loaded or exclusions are applied based on information that the client has given to the insurance company, then the insurance company will tell the client why. It is only on rare occasions where you would have to go to the GP. We would like to think it is not commonplace."

The ABI says it has not heard of widespread use of GPs for explaining loadings or exclusions and says it would welcome discussions with IFAs who are having issues with this process.

Legal & General underwriting development manager Roger Wells says that, in most cases, ratings would be based on factors that the customer has told them about.

He says: "As long as they have told us about it, we would not automatically send a reason-why letter but we would say they can get in touch by writing or telephone. So long as the customer is aware of the problem, then that is what we do."

However, Wells says if the doctor ticks a box on the application form, saying they do not want information disclosed to the applicant by the insurance company, then they would write to the applicant and tell them to book an appointment with their GP.

Wells says this only happens in a small number of cases where there is sensitive information involved.

A third scenario is if something comes out of an investigation, such as a blood test where the client may not be aware of the results. Again, in this instance, L&G says it would write to the client and tell them to get in touch with their doctor.

But why isn't the reason for the exclusion or loading included in the original letter? Wells says this is because the explanation is immediately obvious in most cases from looking at the application form and he does not believe it is necessary. The information is available if the client or adviser wants to find out.

Aegon Scottish Equitable underwriting and claims manager Mark Preston says the pre-sales underwriting team are happy to discuss any cases with an adviser before an application is submitted.

He says if a rating or exclusion is applied and the decision is based on information that has been disclosed on the application form which the financial adviser is aware of, then they are able to discuss this with the financial adviser if asked.

He says: "However, there are instances where the underwriting decision is based on additional information which has not been provided on the application form, for example, a client may disclose hypertension, but may not disclose that they have additional complications resulting from this. For reasons of client confidentiality, we are unable, in these instances, to discuss with the financial adviser.

"In most instances, we are able to explain our decisions to customers directly, either by telephone or by letter. We are aware that discussing some medical conditions by telephone may not be appropriate and may upset

some of our customers and so we will assess each case and take the most appropriate route, with the customer's best interests at the heart of what we do.

"There are some scenarios where we feel that the GP will be best to discuss a medical condition with their patient - for example, our decision may be based on risk factors for a condition, which our customer may not be aware they are at risk of. An example would be where a customer has sought medical advice for mild neurological symptoms but may not be aware that these symptoms could be associated with multiple sclerosis."

Source: Money Marketing
