

Consumer Education Media Release
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Honesty upfront ensures hassle-free insurance claims

The inevitable tightening of the belt that is currently facing many consumers, may make it tempting to try and get cheaper long-term insurance cover by omitting vital information during the application process.

But Dr Maritha van der Walt, convenor of the Medical Underwriting Standing Committee of the Association for Savings and Investment South Africa (ASISA), cautions that this is a very short-sighted approach likely to leave you or your family without cover when a devastating life event occurs.

The risk of non-disclosure

Van Der Walt explains that a life insurance company is fully within its rights to not pay out a claim and declare your policy void, should it come to light that you were dishonest or that you failed to disclose important details when you took out your policy.

However, life insurers assess all claims objectively and fairly and a decision to reject a claim or to void a policy is never taken lightly, says Van der Walt. "Problems at claim stage can be completely avoided with full disclosure of all the required information when you take out a policy."

While South African life insurers paid 99.3% of all claims against fully underwritten life policies last year, half of the claims that were declined was due to non-disclosure. In terms of numbers, this meant that while 34 100 death claims were paid, 120 families did not receive death cover worth close to R160 million, because the policyholder did not disclose material information about a medical or lifestyle condition in an attempt to secure cover, or avoid loaded premiums.

Van der Walt says since it is generally accepted that the person applying for insurance knows more about the risk to be insured than the insurer, the law compels applicants to honestly disclose all information likely to influence the judgment of the insurer when determining appropriate policy terms and premiums. Information generally regarded as material include medical history, state of health, family history, and life style.

Having all the facts at their disposal enables the life insurer's underwriters to determine the exact risk relevant to each applicant. This is important, because it allows the life insurance company to adjust premiums for different risk categories, thereby ensuring that every person pays a fair premium without subsidising someone less healthy.

When in doubt, rather disclose

"If you are in doubt about whether information is important or not, rather disclose it and let the underwriters decide whether it is material," advises Van der Walt.

Depending on the information that you disclose, a life insurer may request a medical assessment to determine the severity of a condition. If you mention that you suffer from chest pain, the insurer will require an assessment to determine whether you are at risk of suffering a heart attack. If you disclose that you are scheduled to go for any medical investigations within a couple of weeks, the company may delay issuing a policy until you have the results.

Van der Walt says if your medical condition or lifestyle choices are considered a material risk, the life insurer may offer the cover on different terms such as a higher premium or exclusions on disability cover or critical illness benefits. In a small percentage of cases, the applications are declined.

While it may therefore seem tempting to keep quiet about ailments or pending medical investigations, should you claim for a condition that was subsequently diagnosed as a result of the investigations, the claim might be declined. "Rather be honest and if your cover is declined then you and your loved ones can at least plan ahead for the financial impact should something happen."

Van der Walt says that even if you do not qualify for comprehensive life cover, you can apply for accidental death cover, which only pays out if you die as a result of an accident.

She adds that there is also a growing range of products available to people living with the human immunodeficiency virus (HIV), which include life, disability and critical illness cover. South Africa was the first country to introduce life cover for people living with HIV in 2001.

When applying for a long-term insurance policy:

- Always complete the application form yourself, particularly the questionnaire on your medical and lifestyle history.
- Provide detailed information on your state of health and medical history as well as that of your parents and siblings, as some health risks may be hereditary.
- Disclose medical conditions that occurred in the past. Many conditions, like cancer, may go into remission for many years, only to reappear at a later stage.
- Be honest about your smoking and drinking habits.
- Disclose dangerous recreational activities such as rock climbing and deep sea diving.
- If your occupation involves risky activities you need to disclose these. Examples include flying aircraft and dealing with weapons.
- Shop around for risk cover and compare premiums as well as terms. The industry is very competitive and there are likely to be good reasons for substantial differences in premiums.
- Some life insurance companies will expect you to inform them if your circumstances have changed drastically over time, even if you have been insured for a number of years. Most insurers, for example, expect you to let them know if you start smoking or participating in hazardous activities. This is likely to increase your premium since the life insurer now runs a much higher risk of having to pay a claim due to you dying or injuring yourself.

- The same applies to a reduction in risk. If, for example, you stopped smoking for the required minimum period and are prepared to have a test done to prove this, you are likely to see a reduction in premiums.
- Familiarise yourself with premium guarantee periods – the premiums could be guaranteed for life or for a defined period only (and then be subject to a review). The review of premiums at the end of a guaranteed period may also be subject to different conditions. Make sure you are familiar with these conditions.
- Make sure you understand the definitions of the various claims events, as different companies offer different levels of cover for events such as a heart attack or cancer.

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To set up interviews please contact:

Lucienne Fild
Independent Communications Consultant
082 567 1533
lucienne@fild.co

Issued on behalf of:

Dr Maritha van der Walt
Convenor: Medical Underwriting Standing Committee
Association for Savings and Investment South Africa (ASISA)

ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.