

Keeping good records

Max and Alice* were approached by a financial adviser about their insurance needs. The couple had very little insurance and having just purchased a new home, needed financial advice. The adviser met with them and gathered all the information he needed to provide them with suitable financial advice. After undertaking research, the adviser presented his recommendations to his new clients.

An application form was completed by both of them. It contained questions about their health and medical conditions. Max declared he had seen a doctor in recent times for an injured elbow and increased blood pressure. Max asked the adviser what this would do to his application and the adviser responded by saying it could result in an exclusion or an increased premium or could be accepted on standard terms. This conversation was confirmed in a file note on the clients' file. Max also provided an authority to the insurance company for it to look at all his medical records.

Alice also completed an application form. In her medical questions she referred to having had the flu and nothing else. She declined to provide her full medical records. Both applications were submitted and cover for life and disability was provided.

Some months later, Alice was diagnosed with a failing eye condition which required costly surgery. This was covered by the disability insurance and a claim was lodged. Unfortunately, the claim was denied because Alice had an existing eye condition that she had not disclosed in her application for cover. They blamed the adviser for not providing good financial advice and made a complaint to Financial Dispute Resolution Service.

An examination of the adviser's client file revealed a very good level of client information being captured and recorded in the file. The advice process he had undertaken with the couple was excellent and followed the recognised seven step financial advice process. The advice provided appeared to be very sound. However, there was the question of non-disclosure and Max had inferred the adviser had discouraged Alice from disclosing the pre-existing eye condition.

A further examination of the client file revealed that the couple had confirmed they understood the need for full medical disclosure. This was evident by the information disclosed by Max and his agreement for the release of his full medical information. On the other hand, Alice had not agreed to the release of medical information and only disclosed that she had had the flu. Her medical records not only showed her eye condition but also high blood pressure and other illnesses. There was no evidence to support the client's allegations.

Another key issue here was looking at the situation if the problem had not arisen – the 'turn back the clock' method. If Alice's medical history had been revealed, a prudent insurer would not have accepted the proposal and would more than likely rejected it outright or delayed acceptance for some months to see if the illnesses improved.

So even if the adviser had not discouraged full medical disclosure (which there was no evidence to show he had) and the insurer had been made aware of Alice's full medical history, cover would not have been provided.

The couple decided to withdraw their complaint.

*Names have been changed

